



City of Casa Grande, Arizona



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2006

City of Casa Grande, Arizona

**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

For the Fiscal Year Ended June 30, 2006



Prepared by the Finance Department
Larry D. Rains, Finance Director



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City of Casa Grande

September 13, 2006

Honorable Mayor,
City Council,
City Manager
Citizens of Casa Grande, Arizona

We are pleased to submit to you the fiscal year ended June 30, 2006 Comprehensive Annual Financial Report (CAFR) of the City of Casa Grande, Arizona (the City). The report was prepared by the City's Finance Department.

This report represents management's report to its governing body, constituents, legislative and oversight bodies, investors, and creditors. Copies of this report will be sent to elected officials, management personnel, bond rating agencies, Nationally Recognized Municipal Securities Information Repositories, and other agencies, which have expressed an interest in the City's financial matters. Copies of this financial report will be placed in the City library for use by the general public, and posted on the City's web page.

Responsibility for the accuracy of the presented data and the completeness and fairness of the presentations, including all disclosures, rests with the management of the City. The City has established and maintains a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of financial statements. We believe the data, as presented in this report, is accurate in all material respects and is presented in a manner which fairly sets forth the financial position and results of operations of the City on both a city-wide and fund basis. Furthermore, we believe that all disclosures necessary to enable the reader to gain an understanding of the City's financial activity and financial stability have been included.

These financial statements have been prepared in accordance with accounting principles generally accepted in the United State of America (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The City of Casa Grande, Arizona's financial statements have been audited by Henry & Horne, P.L.C, whose report is included herein. The examination satisfies Article VI, Section 6, of the City Charter, which requires an annual audit of all accounts of the City by an independent certified public accountant. As stated in the independent auditors' report, the goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Casa Grande, Arizona for the fiscal year ended June 30, 2006, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the financial statements of the City of Casa Grande, Arizona for the fiscal year ended June 30, 2006, are fairly presented, in all material respects, in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Additionally, the City is required to have an independent audit (“Single Audit”) of federal financial assistance received by the City directly from federal agencies, or passed through to the City by the State of Arizona or other governmental entities during the fiscal year. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the government’s internal controls and compliance with legal requirements having a direct and material impact on major programs, with special emphasis on internal controls and compliance requirements involving the administration of major federal awards.

The results of the City’s Single Audit for the fiscal year ended June 30, 2006, found no instances of material weakness in the internal control structure or significant violations of applicable laws and regulations with respect to major programs. The reports from Henry & Horne P.L.C. are available in the City of Casa Grande, Arizona’s separately issued Single Audit Report.

Presentation

These financial statements are prepared and presented in conformity with GASB Statement #34 – *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments* (the new reporting model). The City first implemented this new reporting model with the financial statements for the fiscal year ended June 30, 2003. More information about this change can be found in Management’s Discussion and Analysis (MD&A) beginning on page 3 and also discussed in the notes to the financial statements (See Note 1D on page 43). This transmittal letter is designed to complement the MD&A and should be read in conjunction with it.

The comprehensive annual financial report is presented in three sections: The Introductory Section includes this letter of transmittal, GFOA Certificate of Achievement, the City’s organization chart, and the list of principal City officials. The Financial Section includes the independent auditors’ report, Management’s Discussion and Analysis, the basic financial statements (government-wide statements and fund statements), notes to the financial statements, other required supplementary information, combining financial statements and other financial schedules. The Statistical Section includes selected financial and demographic information, presented on a ten-year basis.

PROFILE OF THE CITY

The City of Casa Grande was founded in 1879 and is named for the famous Hohokam Indian Ruins. Since its incorporation in 1915, Casa Grande has grown to be the largest community in western Pinal County. Casa Grande is located in central Arizona approximately halfway between the State’s two largest metropolitan areas of Phoenix and Tucson, and is surrounded by three Indian Reservations. In addition, the City is located at the intersection of two major interstate highways, which service the Los Angeles, and San Diego markets. The City is a dynamic, involved city with a rural heritage and old-fashioned values. The economic base is a mix of retail trade, manufacturing and agriculture.

The City of Casa Grande, chartered in December 1974, has a Council-Manager form of government consisting of the Mayor and six Council members. The Mayor is elected at-large for a two-year term and cannot serve for more than four consecutive terms. Council members are elected to four-year terms. The City Council is vested with policy and legislative authority and is responsible for appointing the positions of City Manager, City Attorney and Judge. The City Manager is responsible for carrying out the policies and ordinances of the City Council, as well as overseeing the day-to-day operations.

The City of Casa Grande is now just over 68 square miles. The City’s updated General Plan includes the 68 square miles, as well as a large area surrounding the City limits in order to best plan for the growth of the City. This planning area includes 50,269 acres and has a projected build-out population of 226,659 residents. In accordance with State Law, the General Plan went to a public vote in early 2002 after the completion of many public workshops, meetings and hearings. The voters overwhelmingly approved the General Plan.

The City provides a full range of municipal services, including police and fire protection, construction and maintenance of streets, recreational and cultural events, library services, planning and zoning services, sewer services, sanitation services, and general administration services. The City invests in its historic downtown with the administration of three downtown redevelopment districts, of which two are funded through Tax Increment Financing.

In 2002, the City completed the process of updating its Strategic Agenda. In its most fundamental form, this process provides a structure for management staff to think about the current condition of the City of Casa Grande, the issues and challenges expected to confront the City in the next five years and beyond, the appropriate role for the City Government in responding to those issues and challenges, and the resources needed by the City government to fulfill this role.

FINANCIAL CONTROLS

Internal Controls

As previously noted, the management of the City of Casa Grande is responsible for establishing and maintaining a system of internal control. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: 1) safeguarding of assets against loss from unauthorized use or disposition, and 2) reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes: 1) the cost of a control should not exceed the benefits likely to be derived, and 2) the valuation of costs and benefits requires estimates and judgments by management.

The system of internal control is subject to periodic evaluation by management and is also considered by the independent auditors in connection with the annual audit of the City's financial statements. All internal control evaluations occur within the above framework. The City's internal accounting controls are considered to adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary Controls

The City of Casa Grande, like all cities in the State of Arizona, is subject to numerous budget and related legal requirements. Article IX, Section 20 (1) of the Arizona Constitution sets limits on the City's legal budget capacity. The City currently operates under the Alternative Expenditure Limitation – Home Rule Option. This option allows the City Council to establish the budgetary limits locally. The voters must authorize this option every four years. It was last authorized by the citizens of Casa Grande in March 2005.

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated operating budget approved by the Mayor and Council. Activities of the general fund, special revenue funds, debt service funds, capital projects funds, enterprise funds, and internal service funds are included in the annual appropriated budget. The legal level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is the total operating budget, as adopted by the City Council. The City additionally exercises management control and oversight of the budget at the department level within each fund.

ECONOMIC CONDITIONS AND OUTLOOK

The information presented in the financial statement is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

The economy of Casa Grande is a diverse combination of agriculture, manufacturing, commercial and service activities, as well as a haven for retired individuals who winter in Arizona. The community also serves as the provider of many goods and services to the rural areas surrounding the City, as well as several growing communities located in the area. This combination of diverse economic activities keeps the community from becoming overly dependent on any single segment of the economy. In March 2004, the Community adopted a Strategic Plan for Community and Economic Development with the purpose of developing a process to successfully implement diverse type of businesses, attracting new revenue, and expanding/maintaining the community revenues essential to sustaining Casa Grande and improving the quality-of-life.

Local indicators point to continued stability and strength. Casa Grande continues to witness a sustained number of issued building permits. The City has witnessed steady growth in both residential and non-residential building permits. Several of Arizona's largest homebuilders have entered the Casa Grande housing market to compete with the local established homebuilders.

The City has currently completed several annexations. The expansion of the boundaries comes with new development activities. Many of these areas have had development proposals submitted in conjunction with the annexation petitions. This combination of existing subdivided lots, coupled with the newly proposed, should allow Casa Grande to witness a continued positive trend in new housing starts in the near term.

At the time this report is being issued, many homebuilders in the state have reported a tremendous slowing in new housing sales. Although the City of Casa Grande has not experienced this trend, we have prepared for any downwards trend in the housing market by allocating construction sales tax to non-operating expenses and establishing a strong reserve.

Retail Sales. The City of Casa Grande, like all Arizona cities, places a heavy reliance on City sales tax. Overall, local sales tax revenues comprise approximately 41% of General Fund revenues. The City's sales tax is currently at 1.8%, with an additional .2%, which has been pledged as collateral for the retirement of debt obtained to complete park and recreation construction projects. This particular component of the tax rate is scheduled to "sunset" when the debt is retired. Management is projecting the city's sales tax to grow by 20% this next year due to the growth in population and new commercial retail.

State Shared Revenues. The City of Casa Grande receives revenue allocation from the State. These "State Shared Revenues" include allocations of the state-collected income tax, sales tax, gas tax, and motor vehicle in-lieu taxes based on population formulas that are created on official census data. The majority of these revenues are placed in the General Fund, where it supports daily operations. This revenue service is expected to grow by 30% this next year due to a mid-decade redistribution of revenues based on population.

The State has indicated positive growth patterns in the majority of these revenue sources. One disadvantage to placing a heavy reliance on state-shared revenues is the state legislature controls the distribution to municipalities each year.

Property Tax. The City's primary property tax rate stands at \$0.9999 per \$100 of assessed valuation. The City has maintained this rate for more than 18 years. The primary levy can be used for any general government purpose, but is limited in size by State statute. The City currently does not levy a secondary tax levy.

Total assessed property value within the City has increased by approximately 70% since fiscal year 2000. The fiscal year 2005 projections, based on data provided by the Pinal County Assessor's Office, indicate a 3% reduction in assessed value over fiscal year 2004 levels. This reduction was attributed to a Regional Power Generation plant that was taken off the rolls because it was acquired by a governmental entity.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

During fiscal year 2006, the City invested in a number of programs and services that make Casa Grande a better community. The following are some of the efforts and accomplishments of the City during the year:

Police

- Maintained 5 certifications of Apartment Complexes in the Crime Free Multi-Housing Program.
- Expanded participants in our volunteer programs to assist with clerical duties, enforce disabled parking violations, monitor traffic speeds in the neighborhoods, assist with the vacation house watch program, and conduct fingerprinting.
- Held 12th annual “National Night Out” celebration.
- Participated in on-going education programs at the schools.
- Sponsored Citizen Police Academies. 39 participants were trained in wide variety of police functions.

Fire

- Responded to 4,835 emergencies of which 3,226 (74.8%) involved emergency medical services, averaging a response time for all incidents of 5 minutes 20 seconds.
- Maintained a department commitment for excellence in public education by initiating in excess of 9,740 public contacts.
- Continued the K-6 fire safety education program within the Elementary School District.
- Continued the wellness/fitness program for the department.
- Continued mentoring of the Casa Grande Fire Explorers Program.

Public Works

- Continued annual maintenance of roadways and alleys.
- Maintained roads at North Mountain Park.
- Enhanced several retention basins on Arizola Road.
- Continued to mow ditches, roads, and retentions.
- Installed 2 drywells.
- Purchased water pump.
- Moved & graded drainage on west side annexations.

Community Services

- Hosted 12 Sunday Socials and 24 Tag Along field trips for senior adult population.
- Continued and expanded the Halloween Carnival, Desert Grande Duathlon/Triathlon, Christmas Tree Lighting Ceremony, Electric Light Parade, and Downtown Party.
- Held first successful Spanish Language program on financial literacy with 19 attendants.
- Coordinated with AARP to provide no cash tax preparation services and low cost 55 Alive drive classes.
- Continued Senior Meals Program.
- Replaced water slide, repaired cracks in deck, and installed new carpet in the lifeguard room.

Community Development

- Assisted applicants with 50 Rezoning requests, 37 site plan approvals, 57 Preliminary Plats, and 50 Final Plats.
- Issued 35 Major/Minor General Plan Amendments.
- Processed 7 PAD Amendments.
- Issued 370 Home Occupation Permits, 398 Temporary Use Permits, and 170 Business Licenses.
- Initiated 8 annexations.

OTHER MATTERS

The information presented in the financial statement is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Debt Administration. On June 30, 2006, the City had a number of debt issues outstanding. Total bonded debt at June 30, 2006, was \$1,815,000. This included two issues of special assessment debt with government commitment. In fiscal year 2003 the City issued new Excise Tax Revenue Obligations, as well as refunded the Series 1994 and 1995 Obligations within this issuance. The City’s general credit was rated A+ by Fitch Ratings and received an A- rating from Moody’s. The City is diligent in its efforts to maintain and improve these ratings. The ratings for the existing issues are as follows:

	Moody’s Investor Service	Standard and Poor’s Corporation	Fitch IBCA
ID #38 Special Assessment Excise Tax Revenue Obligation	Baa3	-	-
Series 1997	Aaa	-	
Series 1999	Aaa	-	AAA
Series 2003	Aaa	-	AAA

In October 1997, the City issued \$3,590,000 of Excise Tax Revenue Obligations to refurbish and restore a 1921 vintage school building for use as a new City Hall. In April 1999, the City issued \$5,000,000 of Excise Tax Revenue Obligations to finance the acquisition, construction and equipping of two public recreational complexes and improvements to existing recreational facilities. In 2003, the City issued \$18,120,000 of Excise Tax Revenue Obligations for the purpose of expanding the wastewater treatment plant and refunding the 1994 and 1995 Obligations.

All Excise Tax Revenue Obligations are secured by a pledge of and first lien on all excise, transaction, franchise, privilege and business taxes, state shared sales and income taxes, fees for licenses and permits and state revenue sharing, which the City presently or in the future validly imposes or receives from other entities. As of June 30, 2006, the City had \$22,129,820 of Excise Tax Revenue Obligations outstanding.

Under State statutes the City can issue general obligation bonds for purposes of water, sewer, artificial lighting, open space, playground and recreation facilities up to an amount not exceeding 20% of the secondary assessed valuation. Cities can also issue general obligation bonds for all other purposes up to an amount not exceeding 6% of the secondary assessed valuation. As of the June 30, 2005, the City has debt capacity of \$36,018,487 for general obligation bonds subject under the 20% limitation and \$10,805,546 for general obligation bonds subject under the 6% limitation. The City has no general obligation debt outstanding.

Cash Management. Idle cash is pooled into a single investment account except for the Casa Grande Part-time Firemen’s Pension Plan. The City of Casa Grande is a participant in the Local Government Investment Pool operated by the State Treasurer for the benefit of counties, cities, towns and other political subdivisions of the State.

The deposits are pooled together and invested in U.S. Government securities, certificates of deposit, repurchase agreements and high-grade corporate issues. Earnings are apportioned monthly based on total “dollar days” of the participant’s account balance for each day of the month. At the first of each month the earnings are automatically reinvested and a statement is sent to each participant.

The investment policy of the City is to keep risk as low as possible and then consider the yield. The majority of the City’s funds are idle for less than 90 days at a time; therefore, liquidity also plays a major role. For these reasons and the fact that the pool has a diverse portfolio, the City invested all of its idle funds with the Pool during the 2004/2005 fiscal year.

The yield for the investment account averaged 3.8351 percent for the fiscal year. At June 30, 2006, the Pool consisted of \$1.4 billion in total local government deposits, which included \$66 million the City had invested in the Pool.

With the issuance of GASB Statement No. 31, all investments are stated at fair value in the balance sheet. The State Treasurer's Local Governmental Investment Pool includes liquid investments which cost approximates market. The Firemen's Pension Fund is stated at fair value, which totals \$772,623. The current year's net change in fair value totaled \$57,576.

Risk Management. The City is exposed to various risks of loss, related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's liability risks are covered by commercial insurance purchased from independent third parties. The City is fully insured with per occurrence limit at \$2 million general liability coverage with a \$10,000 deductible and a \$10 million umbrella liability policy.

The City continues to carry commercial insurance for all other risks of loss, including workers' compensation, employee health and accident, airport activities and fuel use bond. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past five fiscal years.

The City of Casa Grande has an aggressive safety program that promotes employee safety on the job and focuses on risk control techniques designed to minimize accident-related losses.

OTHER INFORMATION

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Casa Grande, Arizona, for its comprehensive annual financial report for the fiscal year ended June 30, 2005. This was the fifteenth consecutive year that the City has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principals and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Government Finance Officers Association of the United States and Canada presented a Distinguished Budget Presentation Award to the City of Casa Grande, Arizona for its annual budget for the fiscal year beginning July 1, 2005. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a plan, and as a communication device. A Distinguished Budget Presentation Award is valid for a period of one year only. This is the eighth Distinguished Budget Presentation Award the City of Casa Grande has received. We expect to continue to participate and meet the program requirements, and we will be submitting it to GFOA next budget year.

ACCOMPLISHMENT. The preparation of the City's Comprehensive Annual Financial Report was only made possible by the dedication and hard work of Janice Rutherford, Supervising Accountant, the Finance Department, and the firm of Henry and Horne, L.L.P. We give them our sincere thanks for their effort in the creation of this report.

We wish to express our appreciation to the City Manager, the Mayor and City Council for their support and leadership.

Sincerely,



Larry D. Rains
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Casa Grande,
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Carla E. Perry

President

Jeffrey R. Enos

Executive Director

CITY COUNCIL
CHARLES WALTON, SR., MAYOR

ALBERT GUGENBERGER
KARL PETERSON
DICK POWELL

STEPHEN Q. MILLER
RALPH VARELA
JIM NORRIS

CITY MANAGER

JAMES THOMPSON



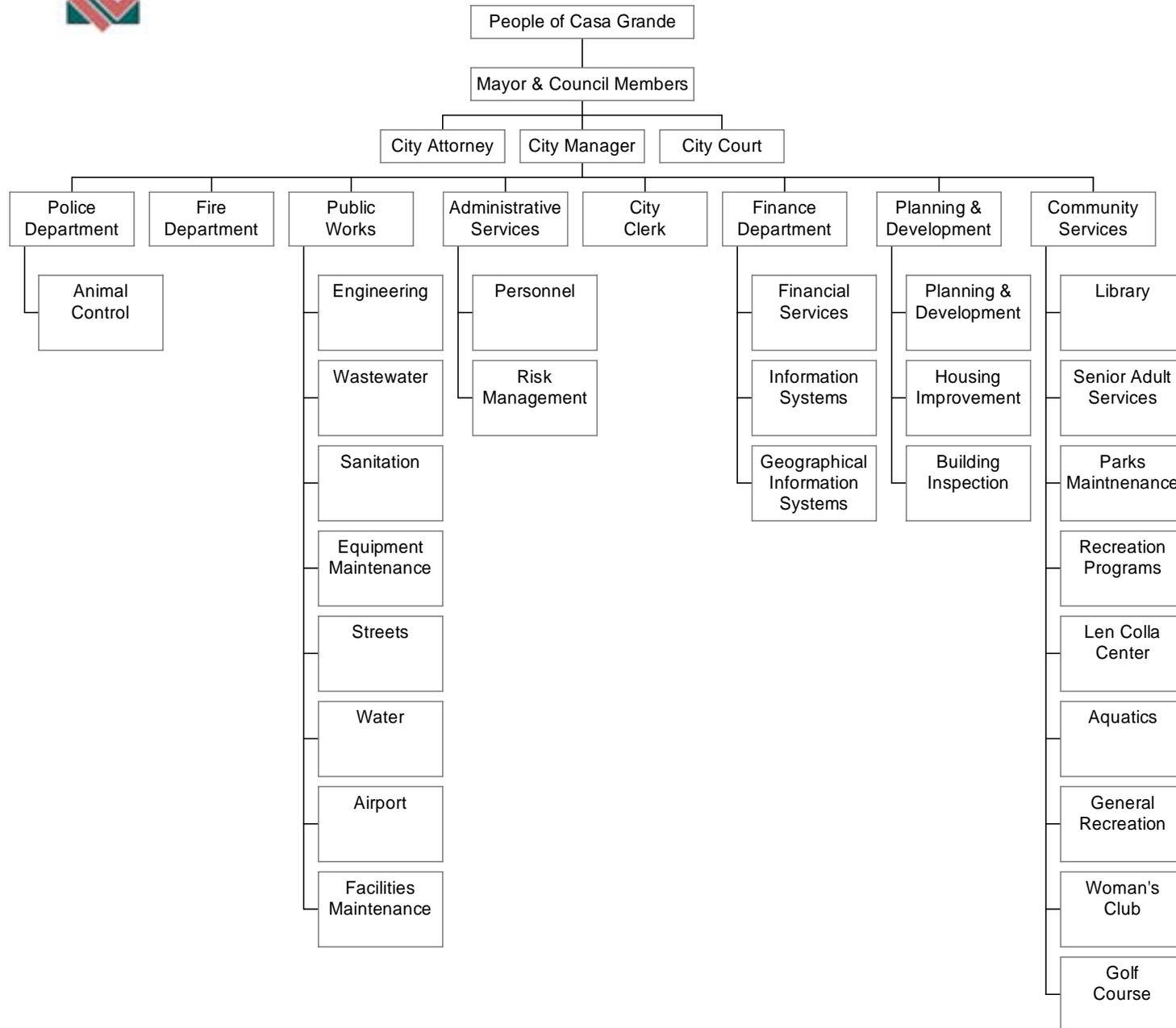
FINANCE DEPARTMENT STAFF

LARRY D. RAINS
JANICE RUTHERFORD

FINANCE DIRECTOR
SUPERVISING ACCOUNTANT



City of Casa Grande Organizational Chart





FINANCIAL SECTION





HENRY & HORNE, LLP
ADVISORS TO BUSINESS

Independent Auditors' Report

The Honorable Mayor and Council
City of Casa Grande, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Casa Grande (the City), Arizona, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Casa Grande, Arizona, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Major Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Casa Grande failed to use highway user revenue fund monies received by the City of Casa Grande pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the City of Casa Grande solely for the authorized transportation purposes. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

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Scottsdale
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(480) 483-1170
Fax (480) 483-7126

Casa Grande
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MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Casa Grande, Arizona (the City), we offer this narrative overview and analysis of the financial activities of the City of Casa Grande, Arizona for the fiscal year ended June 30, 2006. This discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the City's financial activity, (3) identify changes in the City's financial position, (4) identify any material deviations from the approved annual budget, and (5) identify individual fund issues or concerns. Please read it in conjunction with the transmittal letter presented on pages iv - x of this report as well as the City's financial statements beginning on page 13 and the accompanying notes to the financial statements.

Financial Highlights

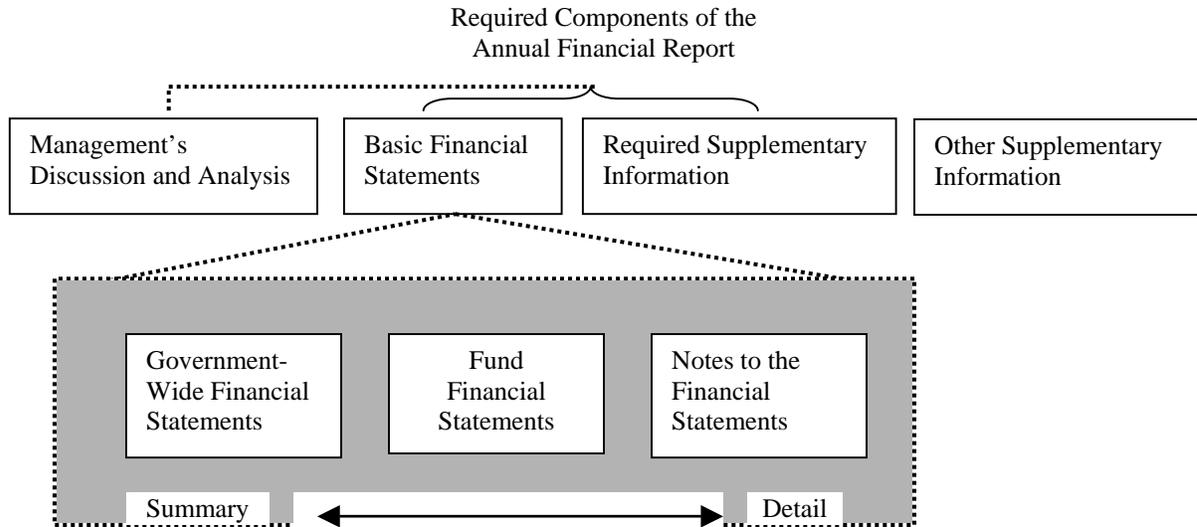
- The City's total net assets, on the government-wide basis, totaled \$179 million at June 30, 2006. Of this amount, \$26 million is unrestricted.
- The General Fund reported revenues in excess of expenditures and other financial sources and uses by \$7,006,777.
- At June 30, 2006, unreserved fund balance for the General Fund was \$17.8 million, or 70% of General Fund expenditures for fiscal year 2006.
- At June 30, 2006, unreserved fund balance of the governmental funds was \$51.8 million, or 135% of governmental fund expenditures for fiscal year 2006.
- The governmental activities general revenues of \$58.7 million were \$20.5 more than the \$38.2 million of expenditures before other financial sources and uses.
- The business-type activities increase in net assets was \$16.4 million as of June 30, 2006.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City implemented the Governmental Accounting Standards Board (GASB) Statement 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (the new model) with the financial statements for the year ended June 30, 2003. The new model contains a number of changes to the requirements for governmental reporting. The major changes are as follows:

- Government-wide reporting – while governments have traditionally focused reporting on groupings of funds (i.e. General Fund, Special Revenue Funds, Capital Project Fund, etc.), the new model also contains financial statements on a government-wide basis.
- Fund financial statements – the new model maintains governmental, proprietary and fiduciary fund financial statements, but the focus is on major funds within each fund type.
- New focus for governmental activities – in the government-wide financial statements all activities, including the governmental activities, are reported using the economic resource measurement focus and accrual basis of accounting. The traditional current financial resources focus and modified accrual basis of accounting are maintained for the governmental fund financial statements in the new model.
- Infrastructure reporting – the new model requires governments to report the value of infrastructure assets of governmental activities (roads, bridges, storm drainage systems, parks, etc.) These assets are reported in the governmental activities on the government-wide financial statements.

- Changes in budgetary reporting – the new model requires the display of both the original adopted budget and the amended budget in the budgetary comparison schedules. These schedules are only required for the general fund and major special revenue funds, although they may be presented for other funds as additional information.
- Required narrative analysis – the new model requires that the financial statements be accompanied by narrative introduction and analytical overview of the government’s financial activities in the form of “management’s discussion and analysis” (MD&A).



As pictured above, the financial section of the Comprehensive Annual Financial Report (CAFR) for the City of Casa Grande, Arizona consists of this discussion and analysis, the basic financial statements, required supplementary information and other supplementary information. The basic financial statements include the government-wide financial statements, fund financial statements, and notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements (see pages 13-15) are designed to provide a broad overview of the City’s finances in a manner similar to those used by private businesses. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

The activities of the City are broken into two columns on these statements – governmental activities and business-type activities. A total column is also provided.

Governmental activities include the basic services of the City including general government (administration), parks and recreation, police, fire, planning and development and streets. Taxes and general revenues generally support these activities.

Business-type activities include the private sector type activities such as golf course, sanitation, and wastewater. These activities are primarily supported through user charges and fees.

The *statement of net assets* presents information on all of the City's assets and liabilities, both current and long-term, with the difference between assets and liabilities reported as net assets. The focus on net assets is designed to be similar to the emphasis for businesses. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. To assess the overall health of the City, other indicators, including non-financial indicators like the City's property tax base and condition of infrastructure, should be considered.

The *statement of activities* presents information showing how the City's net assets changed over the most recent fiscal year. Since full accrual accounting is used for the government-wide financial statements, all changes to net assets are reported at the time that the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also focuses on both the gross and net costs of the various functions of the City, based only on direct functional revenues and expenses. This is designed to show the extent to which the various functions depend on general taxes and revenue for support.

Fund Financial Statements

Also presented are the traditional fund financial statements for governmental funds, proprietary funds and fiduciary funds. The fund financial statements now focus on major funds of the City, rather than fund type used prior to GASB-34. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or conditions. Funds are used to ensure and demonstrate compliance with finance-related legal requirements as well as for managerial control to demonstrate fiduciary responsibility over the assets of the City.

The City has three kinds of funds:

Governmental funds – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at the year end that are available for spending. Consequently, the governmental funds statements provided a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on page 18 and 21, respectively.

Proprietary funds – Proprietary funds are used to account for business-type activities of the City. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. Enterprise funds are used for activities that primarily serve customers outside the governmental unit for which fees are charged. The City has three enterprise funds: The golf course, sanitation and wastewater funds. The internal service fund is used for activities in which the City is the customer. The equipment mechanics fund is the City's only internal service fund. Its purpose is to provide vehicle maintenance services to City departments.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of others. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support projects of the City.

Notes to the financial statements – The notes to the financial statements (pages 39-69) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read with the financial statements.

Required supplementary information other than MD&A – Governments have an option of including the budgetary comparison statements for the general fund and major special revenue funds as either part of the fund financial statements within the basic financial statements, or as required supplementary information after the notes. The City has chosen to present these budgetary statements as part of the basic financial statements. Additionally, governments are required to disclose certain information about employee pension funds. The City has disclosed this information in Note 8 to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following tables, graphs and analysis discuss the financial position and changes to the financial position for the City as a whole as of and for the year ended June 30, 2006.

Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed Statement of Net Assets for the City for June 30, 2006 compared to the prior year.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 60.0	\$38.9	\$22.4	\$14.2	\$ 82.4	\$ 53.1
Capital assets	87.3	42.2	43.2	35.4	130.5	77.6
Total assets	<u>147.3</u>	<u>81.1</u>	<u>65.6</u>	<u>49.6</u>	<u>212.9</u>	<u>130.7</u>
Other liabilities	3.8	3.3	1.3	1.3	5.1	4.6
Long-term liabilities	12.1	13.0	16.6	17.0	28.7	30.0
Total liabilities	<u>15.9</u>	<u>16.3</u>	<u>17.9</u>	<u>18.3</u>	<u>33.8</u>	<u>34.6</u>
Net assets:						
Invested Capital assets net of related debt	74.3	28.1	27.7	19.1	102.0	47.3
Restricted	39.5	25.8	11.5	7.2	51.0	32.9
Unrestricted	17.6	10.9	8.5	5.0	26.1	15.9
Total net assets	<u>\$131.4</u>	<u>\$64.8</u>	<u>\$47.7</u>	<u>\$31.3</u>	<u>\$179.1</u>	<u>\$96.1</u>

The net assets of the City increased to \$179.1 million (86%) at June 30, 2006. Of this \$179.1 million, \$131.4 million was in the governmental activities, a 203% increase, and \$47.7 million was in the business-type activities, a 52% increase.

Net Assets consist of three components. The largest portion of net assets (\$102.0 million or 57%) reflects the City's investment in capital assets net of accumulated depreciation and any related outstanding debt used to acquire or construct those assets. The City uses these capital assets to provide services to its citizens; consequently, it is not the City's intention to sell these assets and they are therefore not available for future spending.

The second portion of the City's net assets (\$51.0 million or 28%) represents resources that are subject to external restrictions on how they may be used. This component is primarily made up of accumulated development impact fee collected by the City and funds are specifically reserved for capital improvements pertaining to growth as it relates to maintaining a consistent level of service to all citizens.

The third portion consists of unrestricted net assets (\$26.1 million or 15%), which may be used to meet the City's ongoing obligation to citizens and creditors.

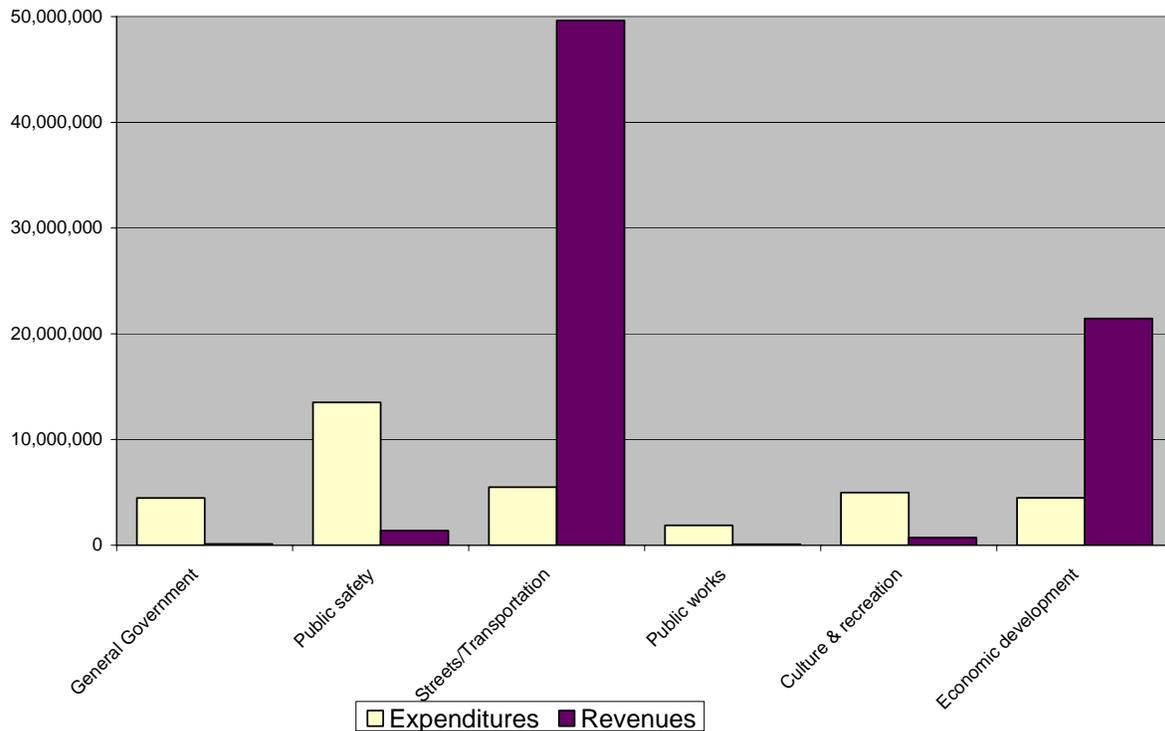
Changes in Net Assets. The City's total revenues for the year ended June 30, 2006 were \$125,989,229. The total cost of all programs and services was \$42,973,480. The following table presents a summary of the changes in net assets for the year ended June 30, 2006. **The primary increase in net assets is the result of sustained economic growth including developer investment in city infrastructure.**

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues						
Program revenues						
Charges for services	\$21,824	\$13,435	\$13,084	\$12,193	\$34,908	\$25,628
Operating grants and contributions	2,615	1,543	-	-	2,615	1,543
Capital grants and contributions	43,675	6,372	7,991	1,562	51,666	7,934
General revenues						
Property taxes	2,401	2,334	-	-	2,401	2,334
Sales taxes	14,974	12,094	2,677	2,150	17,651	14,244
Franchise taxes	1,236	955	-	-	1,236	955
Shared revenues	12,286	10,194	-	-	12,286	10,194
Other	2,532	1,028	694	231	3,226	1,259
Total revenues	<u>101,543</u>	<u>47,955</u>	<u>24,446</u>	<u>16,136</u>	<u>125,989</u>	<u>64,091</u>
Expenses						
General government	4,464	4,100	-	-	4,464	4,100
Public safety	13,504	11,789	-	-	13,504	11,789
Streets/Transportation	5,486	3,438	-	-	5,486	3,438
Public works	1,869	779	-	-	1,869	779
Culture and recreation	4,978	4,147	-	-	4,978	4,147
Economic development	4,468	2,717	-	-	4,468	2,717
Other	501	478	-	-	501	478
Water	-	-	98	158	98	158
Golf course	-	-	928	845	928	845
Sewer	-	-	3,138	2,488	3,138	2,488
Sanitation	-	-	3,539	3,149	3,539	3,149
Total expenses	<u>35,270</u>	<u>27,448</u>	<u>7,703</u>	<u>6,640</u>	<u>42,973</u>	<u>34,088</u>
Excess before transfer	66,273	20,507	16,743	9,496	83,016	30,003
Transfers In (Out)	349	99	(349)	(99)	-	-
Increase in Net Assets	<u>\$66,622</u>	<u>\$20,606</u>	<u>\$16,394</u>	<u>\$9,397</u>	<u>\$83,016</u>	<u>\$30,003</u>

The graph below shows the functional revenues and expenses of governmental activities to demonstrate the extent to which the governmental functions produce direct revenues to offset the program costs. It should be noted that this is not intended to represent full cost allocation to these functions. Expenses not covered by direct program revenues are covered by general revenues of the City, primarily taxes and state shared revenues.

Governmental activities account for 80.6% of the total revenues of the City and 82.0% of the total expenditures in fiscal year 2006. This compares to 74.8% of total revenues and 79.4% of expenses in fiscal year 2005.

Governmental Programs Revenues and Expenses



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

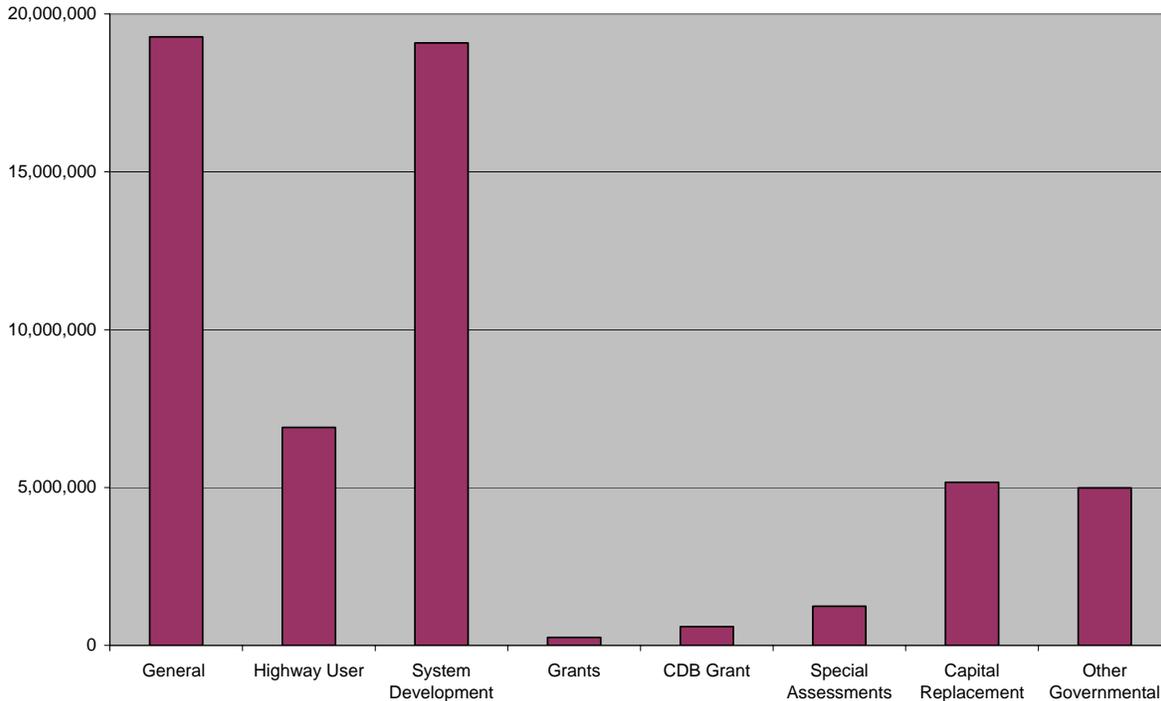
The City maintains fund accounting to demonstrate compliance with budgetary and legal requirements. The following is a brief discussion of financial highlights from the fund financial statements.

Governmental Funds

The focus of governmental fund financial statements (pages 16-28) is to provide information on near-term inflows, outflows and balances of spendable resources. All major governmental funds are discreetly presented on these financial statements, while the non-major funds are combined into a single column. Combining statements for the non-major funds may be found on pages 70-73.

For fiscal year ended June 30, 2006, the governmental funds reflect a combined fund balance of \$57.5 million, an increase of \$20.9 million. Of this, \$5.7 million, a reduction of \$1.7 million, is reserved because it is not appropriate for expenditure or is legally segregated for a specific future use. The remaining \$51.8 million is classified as “Unreserved”. This balance may serve as a useful indicator of a government’s net resources available for spending at the end of the year.

Governmental Fund Balances



The General Fund is the chief operating fund of the City and accounts for many of the major functions of the government, including public safety, parks and recreation, community development and general administrative services. The General Fund revenues total \$34.5 million, an increase of \$8.5 million, in fiscal year 2005-2006. The expenditures, before other financing sources and uses, totaled \$25.3 million, an increase of \$4.7 million.

The Highway User Revenue Fund is required by state statute to track the state allocation of gasoline taxes and other state revenues shared with local governments and required to be used for transportation purposes. The City also accounts for a half-cent sales tax that is collected and distributed by Pinal County for the purposes of construction and improvements of major roadways within the City. Revenue in this fund totaled \$5.5 million, an increase of \$1.1 million, while expenses totaled \$3.3 million, an increase of \$1.2 million in fiscal year ended June 30, 2006.

Other major governmental funds of the City include the System Development Fee Fund which collects governmental impact fees for public safety, parks and recreational facilities, library facilities, and general government; the Grants Fund is utilized to account for the various state and federal grants that are awarded to the City for the purposes of providing specific programming and services in public safety, parks and recreation, and library; the CDBG, Self Help, and Home Funds provides a variety of housing and neighborhood improvements services ranging from housing rehab to infrastructure improvements; the Special Assessment Fund collects special assessments levied through improvement districts and services the debt on the improvement district bond; the Capital Replacement Fund accounts for accumulated proceeds and capital expenditure of those proceeds for the construction of capital projects; the Mission Royale CFD Capital Projects Fund accounts for capital construction within the CFD; all non-major governmental funds of the City are combined into the “Other Governmental Funds” column on the governmental fund statements.

Proprietary Funds

The proprietary funds financial statements are prepared on the same accounting basis and measurement focus as the government-wide financial statements, but provide additional detail since each major enterprise fund is shown individually on the fund statement.

Net assets of the enterprise funds were \$47.8 million, an increase of \$16.4 million as of June 30, 2006. Operating revenues in fiscal year 2005-2006 were \$13.1 million, an increase of \$2.1 million, while operating expenses totaled \$7.3 million, an increase of \$1 million, resulting in \$5,837,285 of operating income.

BUDGETARY HIGHLIGHTS

The City's annual budget is the legally adopted expenditure control document of the City. A statement showing the budget amounts for the general fund is provided as required supplementary information on page 22. This statement compares the original adopted budget, the budget as amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis.

Amendments to the adopted budget may occur throughout the year in a legally permissible manner (see Note 1 (F) on page 46 for more information on budget policies). No amendments increasing the City's total adopted budget of \$67,955,800 occurred during fiscal year 2006. Budget amendments between funds or departments or from budgeted contingencies into operational expense/expenditure accounts did occur.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2006, the City had \$102 million invested in various capital assets, net of accumulated depreciation and related debt, up \$54.7 million. Of the \$102 million \$74.3 million (73%) is invested in governmental activities and \$27.7 million (27%) is invested in business-type activities.

Major additions to capital assets during the fiscal year include the following:

- Acquired AS400 computer server and computer aided dispatching for Public Safety in the amount of \$220,250.
- Acquired a voice interaction recognition system for the Building Division in the amount of \$20,700.
- Completed the Peart Road Improvements between Kortsen & Rodeo in the amount of \$458,000.
- Acquired a mobile Self Controlled Breathing Apparatus system in the amount of \$80,580.
- Completed improvements to the shooting range in the amount of \$71,505.
- Completed design for the new Animal Control Facility.
- Completed feasibility study for new Public Safety Facility.
- Completed taxiway, lighting and fencing project at Airport in the amount of \$284,850.
- Purchased new garbage truck in the amount of \$199,080 for the Sanitation Division.

The following table provides a breakdown of the capital asset balances net of accumulated depreciation at June 30, 2006. Additional information on the City's capital assets may be found in Note 7 on pages 55-57.

Capital Assets (In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 6,559	\$ 6,296	\$ 283	\$ 283	\$ 6,842	\$ 6,579
Building and improvements	76,544	29,356	39,285	19,645	115,829	49,001
Machines and equipment	4,225	3,627	3,649	3,879	7,874	7,506
Construction in progress	-	2,952	-	11,570	-	14,522
Total	\$87,328	\$42,231	\$43,217	\$35,377	\$130,545	\$77,608

Long-Term Debt

The City's outstanding long-term debt, including bonds, notes, contracts, and compensated absences, was \$29.4 million at June 30, 2006, with \$2.3 million due in one year. Of this total, \$13.8 million was in governmental activities and \$15.6 million was in business-type activities. Of the outstanding debt, \$22.1 million is excise tax revenue obligation bond collateralized by the City's excise tax stream. An additional \$480,000 is special assessment bonds where the City is contingently liable in the event that the assessment revenue is insufficient to pay the debt payments. All other outstanding debt is secured by pledges of specific revenue sources of the City.

The following schedule shows the outstanding debt of the City (both current and long term) as of June 30, 2006. Further details can be found in Notes 10, 11, 12, 13, & 14 on pages 62-68.

Outstanding Debt (In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Compensated absences	\$ 705	\$ 633	\$ 96	\$ 85	\$ 801	\$ 718
Capital leases	4,030	4,486	408	594	4,438	5,080
Bonds payable	9,033	9,608	14,912	15,426	23,945	25,034
Notes payable	-	-	168	177	168	177
Total	\$13,768	\$14,727	\$15,584	\$16,282	\$29,352	\$31,009

ECONOMIC FACTORS

Casa Grande's population has grown steadily since 2000. The growth rate over the course of the past 5 years has been just under 30% and is expected to be 10% in 2007. The unemployment rate in Casa Grande for June 2006 was 5.1%, which is slightly higher than the state (4.4%) and the national average (4.6%). While the local economy witnessed a solid year, it has been largely driven by construction of residential dwellings.

Because of the continued growth of the community, Casa Grande's revenues have continued to increase. The new housing market in the region continues to exceed projected expectations, but is expected to slow and follow the trend of other Arizona communities. The City of Casa Grande has been successful at sighting numerous industrial and manufacturing companies within the city limits over the course of the past 3 years. These new employers have brought more than 1,400 new jobs to the community during this period of time. **Arizona cities remain dependent on sales taxes and other economically sensitive tax revenues and are susceptible to slowdowns in the economy.**

Total assessed value in Casa Grande has increased progressively, showing a 71% overall increase from 1995 to 2005. This is largely due to the new housing development. Residential value in 2006 represented about 40% of the total.

FINANCIAL CONTACT

This financial report is designed to provide a general overview of the City of Casa Grande, Arizona's finances and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional information should be addressed to the City's Finance Director at the following address: Finance Director, City of Casa Grande, 510 E. Florence Blvd. Casa Grande, AZ 85222.





BASIC FINANCIAL STATEMENTS



City of Casa Grande
Statement of Net Assets
June 30, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 6,378,560	\$ 1,120,309	\$ 7,498,869
Investments	45,119,103	20,218,977	65,338,080
Receivables (net of allowance for uncollectibles)	6,636,586	761,535	7,398,121
Due from other governments	382,382	-	382,382
Internal balances	60,000	(60,000)	-
Inventories	206,918	8,952	215,870
Prepays	2,325	-	2,325
Restricted assets:			
Restricted investments	979,584	1,610	981,194
Deferred bond costs	179,948	342,739	522,687
Capital assets:			
Land and construction in progress	6,559,450	283,000	6,842,450
Other capital assets (net of accumulated depreciation)	80,768,504	42,933,701	123,702,205
Total assets	147,273,360	65,610,823	212,884,183
LIABILITIES			
Accounts payable and other current liabilities	1,522,509	301,284	1,823,793
Deposits held	-	14,330	14,330
Accrued wages and benefits	270,460	43,236	313,696
Accrued interest payable	135,150	165,267	300,417
Unearned revenue	283,178	-	283,178
Noncurrent liabilities:			
Due within one year:			
Current portion of compensated absences	704,683	96,347	801,030
Current portion of capital leases and notes	275,792	121,941	397,733
Current portion of excise tax revenue obligations	496,455	523,545	1,020,000
Current portion of bonds payable	110,000	-	110,000
Due in more than one year:			
Noncurrent portion of capital leases	3,754,188	295,899	4,050,087
Noncurrent portion of notes payable	-	158,520	158,520
Noncurrent portion of excise tax revenue obligations	6,721,488	14,388,332	21,109,820
Noncurrent portion of bonds payable	1,705,000	-	1,705,000
Bond premium 2003 issue	-	371,814	371,814
Less: Deferred amount on refunding	(50,088)	(256,522)	(306,610)
Closure and postclosure liability	-	1,624,796	1,624,796
Total liabilities	15,928,815	17,848,789	33,777,604
NET ASSETS			
Invested in capital assets, net of related debt	74,265,031	27,728,464	101,993,495
Restricted for:			
Highways and streets	7,126,638	-	7,126,638
Grant purposes	1,317,471	-	1,317,471
Community development	22,333,862	-	22,333,862
Debt service	2,663,299	-	2,663,299
Capital projects	6,064,184	11,541,534	17,605,718
Unrestricted	17,574,060	8,492,036	26,066,096
Total net assets	\$ 131,344,545	\$ 47,762,034	\$ 179,106,579

The accompanying notes are an integral part of the financial statements

City of Casa Grande
Statement of Activities
For the Year Ended June 30, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 4,463,957	\$ 119,514	\$ -	\$ -
Public safety	13,504,033	984,555	327,309	66,332
Streets/Transportation	5,486,251	832,940	5,264,554	43,525,051
Public works	1,868,890	84,424	-	-
Culture and recreation	4,978,247	340,272	305,736	75,000
Economic development	4,468,076	19,462,139	1,968,902	8,800
Interest on long-term debt	500,879	-	-	-
Total governmental activities	35,270,333	21,823,844	7,866,501	43,675,183
Business-type activities:				
Water	98,048	197,834	-	-
Golf course	928,321	781,464	-	-
Wastewater	3,138,128	7,533,801	-	7,991,457
Sanitation	3,538,650	4,571,127	-	-
Total business-type activities	7,703,147	13,084,226	-	7,991,457
Total primary government	\$ 42,973,480	\$ 34,908,070	\$ 7,866,501	\$ 51,666,640

General revenues:
Property taxes
Sales taxes
Franchise taxes
Shared revenues - unrestricted:
 State sales taxes
 Urban revenue sharing
 Auto-in-lieu
Investment earnings
Gain on sale of assets
Miscellaneous
Transfers in (out)
 Total general revenues and transfers
 Change in net assets
Net assets-beginning
Net assets-ending

The accompanying notes are an integral part of the financial statements

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (4,344,443)	\$ -	\$ (4,344,443)
(12,125,837)	-	(12,125,837)
44,136,294	-	44,136,294
(1,784,466)	-	(1,784,466)
(4,257,239)	-	(4,257,239)
16,971,765	-	16,971,765
(500,879)	-	(500,879)
38,095,195	-	38,095,195
-	99,786	99,786
-	(146,857)	(146,857)
-	12,387,130	12,387,130
-	1,032,477	1,032,477
-	13,372,536	13,372,536
38,095,195	13,372,536	51,467,731
2,401,386	-	2,401,386
14,973,622	2,676,631	17,650,253
1,236,366	-	1,236,366
2,721,554	-	2,721,554
2,728,207	-	2,728,207
1,585,116	-	1,585,116
1,508,717	635,533	2,144,250
660,798	-	660,798
361,586	58,502	420,088
349,200	(349,200)	-
28,526,552	3,021,466	31,548,018
66,621,747	16,394,002	83,015,749
64,722,798	31,368,032	96,090,830
\$ 131,344,545	\$ 47,762,034	\$ 179,106,579

City of Casa Grande
Balance Sheet
Governmental Funds
June 30, 2006

ASSETS	General	Highway Users	System Development	Grants & Subsidies	CDBG
Cash	\$ 4,202,183	\$ 5,335	\$ -	\$ 61,211	\$ 366,313
Investments	11,285,380	6,302,045	18,993,739	193,775	-
Accounts receivable (less allowance for uncollectibles)	<u>4,825,042</u>	704,407	105,407	1,940	603,878
Due from other governments	-	-	-	43,528	44,430
Due from other funds	285,000	-	-	-	-
Inventories	7,261	-	-	-	-
Prepays	2,325	-	-	-	-
Restricted assets:					
Cash and cash equivalents	-	-	-	-	-
Total assets	<u>\$ 20,607,191</u>	<u>\$ 7,011,787</u>	<u>\$ 19,099,146</u>	<u>\$ 300,454</u>	<u>\$ 1,014,621</u>
 LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and other current liabilities	\$ 796,101	\$ 90,268	\$ 18,793	\$ 45,518	\$ 417,552
Accrued wages and benefits	223,707	16,723	-	1,510	-
Due to:					
Other funds	-	-	-	-	-
Deferred revenue	308,310	-	-	-	-
Compensated absences	6,346	236	-	-	-
Total liabilities	<u>1,334,464</u>	<u>107,227</u>	<u>18,793</u>	<u>47,028</u>	<u>417,552</u>
Fund balances:					
Reserved for:					
Court and development	1,430,894	-	-	-	-
Special revenue	-	-	-	253,426	597,069
Debt service	-	-	-	-	-
Capital projects	45,379	-	-	-	-
Unreserved, reported in:					
General fund	17,796,454	-	-	-	-
Special revenue funds	-	6,904,560	19,080,353	-	-
Capital projects funds	-	-	-	-	-
Total fund balances	<u>19,272,727</u>	<u>6,904,560</u>	<u>19,080,353</u>	<u>253,426</u>	<u>597,069</u>
Total liabilities and fund balances	<u>\$ 20,607,191</u>	<u>\$ 7,011,787</u>	<u>\$ 19,099,146</u>	<u>\$ 300,454</u>	<u>\$ 1,014,621</u>

The accompanying notes are an integral part of the financial statements

Self-help Technical Assistance	Home/HUD	Special Assessments	Capital Replacement/ Development	Community Facilities Districts Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 3,804	\$ 1,865	\$ 10,726	\$ 703,654	\$ 579,154	\$ 435,142	\$ 6,369,387
-	-	1,219,227	3,543,113	-	3,581,824	45,119,103
-	-	86,431	21,721	118	287,642	6,636,586
64,226	172,115	-	-	-	58,083	382,382
-	-	-	-	-	-	285,000
-	-	-	-	-	45,396	52,657
-	-	-	-	-	-	2,325
-	-	-	905,198	74,386	-	979,584
\$ 68,030	\$ 173,980	\$ 1,316,384	\$ 5,173,686	\$ 653,658	\$ 4,408,087	\$ 59,827,024

\$ 629	\$ 13,980	\$ 150	\$ 7,761	\$ -	\$ 70,533	\$ 1,461,285
2,401	-	-	-	-	2,082	246,423
65,000	160,000	-	-	-	-	225,000
-	-	78,686	-	-	-	386,996
-	-	-	-	-	-	6,582
68,030	173,980	78,836	7,761	-	72,615	2,326,286

-	-	-	-	-	-	1,430,894
-	-	-	-	-	26,198	876,693
-	-	1,237,548	-	-	1,482,209	2,719,757
-	-	-	-	653,658	-	699,037
-	-	-	-	-	-	17,796,454
-	-	-	-	-	2,627,843	28,612,756
-	-	-	5,165,925	-	199,222	5,365,147
-	-	1,237,548	5,165,925	653,658	4,335,472	57,500,738
\$ 68,030	\$ 173,980	\$ 1,316,384	\$ 5,173,686	\$ 653,658	\$ 4,408,087	\$ 59,827,024

City of Casa Grande
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
June 30, 2006

Fund balance - total governmental funds balance sheet		\$57,500,738
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	110,840,100	
Less accumulated depreciation	(23,585,490)	
Internal service capital assets	279,180	
Less accumulated depreciation	<u>(205,836)</u>	
		87,327,954
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(704,683)	
Capital leases	(4,029,980)	
Bonds payable	(9,032,943)	
Bond issuance costs	179,948	
Deferred Loss	50,088	
Bond premium	<u>(7,958)</u>	
		(13,545,528)
Deferred revenue is shown on the governmental funds, but is not deferred on the statement of net assets.		
Special Assessments	78,692	
Property Tax	<u>33,090</u>	
		111,782
Interest payable on long-term debt is not reported in the governmental funds.		(135,150)
Internal service funds are used by management to charge the costs of certain activities to individual funds.		
The assets and liabilities of the internal service funds (excluding capital assets) are reported with governmental activities.		<u>84,749</u>
Net assets of governmental activities - statement of net assets		<u><u>\$131,344,545</u></u>

The accompanying notes are an integral part of the financial statements



City of Casa Grande
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

REVENUES	General	Highway Users	System Development	Grants & Subsidies	CDBG
Taxes:					
Property taxes	\$ 2,025,381	\$ -	\$ -	\$ -	\$ -
City sales tax	14,085,605	-	-	-	-
Franchise tax	1,236,366	-	-	-	-
Licenses and permits	3,632,214	-	-	-	-
Intergovernmental revenues	7,034,877	5,251,259	-	1,004,826	391,594
Charges for services	4,940,267	-	11,353,338	-	-
Fines	734,495	-	-	-	-
Special assessments	-	-	-	-	-
Investment earnings	417,951	211,081	533,828	10,466	-
Contributions and donations	-	-	-	14,339	-
Rental and sale of city property	113,990	-	-	-	-
Miscellaneous	304,864	3,016	-	-	41,315
Total revenues	34,526,010	5,465,356	11,887,166	1,029,631	432,909
EXPENDITURES					
Current:					
General government	4,221,972	-	-	-	-
Public safety	12,752,935	-	-	157,123	-
Streets/Transportation	-	2,168,597	-	-	-
Public works	1,650,860	-	-	-	-
Culture and recreation	3,983,694	14,625	100,762	328,433	-
Planning and economic development	1,495,005	-	-	273,838	437,335
Capital outlay	623,634	1,029,724	204,501	236,214	-
Debt Service:					
Principal	542,691	59,775	-	-	-
Interest and fiscal charges	-	61,802	-	-	-
Total expenditures	25,270,791	3,334,523	305,263	995,608	437,335
Excess (deficiency) of revenues over (under) expenditures	9,255,219	2,130,833	11,581,903	34,023	(4,426)
OTHER FINANCING SOURCES (USES)					
Transfers in	1,690,500	-	-	64,560	-
Transfers out	(3,938,942)	(515,800)	(505,583)	-	-
Total other financing sources and uses	(2,248,442)	(515,800)	(505,583)	64,560	-
Net change in fund balances	7,006,777	1,615,033	11,076,320	98,583	(4,426)
Fund balances - beginning of year	12,265,950	5,289,527	8,004,033	154,843	601,495
Fund balances - end of year	\$ 19,272,727	\$ 6,904,560	\$ 19,080,353	\$ 253,426	\$ 597,069

The accompanying notes are an integral part of the financial statements

Self-help Technical Assistance	Home/HUD	Special Assessments	Capital Replacement/ Development	Community Facilities Districts Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 14,864	\$ 335,369	\$ 2,375,614
-	-	-	-	-	888,017	14,973,622
-	-	-	-	-	-	1,236,366
-	-	-	-	-	-	3,632,214
287,482	810,275	-	-	-	428,091	15,208,404
-	-	-	-	-	97,325	16,390,930
-	-	-	-	-	-	734,495
-	-	354,840	-	-	-	354,840
-	-	42,916	139,944	12,206	140,325	1,508,717
-	-	-	-	-	-	14,339
-	-	-	36,650	-	920,871	1,071,511
3,623	-	-	-	73,809	757,639	1,184,266
291,105	810,275	397,756	176,594	100,879	3,567,637	58,685,318
-	-	-	-	-	1,008,034	5,230,006
-	-	-	-	-	47,709	12,957,767
-	-	-	-	-	-	2,168,597
-	-	-	-	-	-	1,650,860
-	-	-	-	-	19,453	4,446,967
297,646	810,275	1,386	6,636	33	592,713	3,914,867
-	-	-	835,543	2,790,240	429,778	6,149,634
-	-	105,000	-	-	498,922	1,206,388
-	-	31,590	-	52,780	338,603	484,775
297,646	810,275	137,976	842,179	2,843,053	2,935,212	38,209,861
(6,541)	-	259,780	(665,585)	(2,742,174)	632,425	20,475,457
-	-	-	3,353,400	-	699,974	5,808,434
-	-	-	-	-	(414,509)	(5,374,834)
-	-	-	3,353,400	-	285,465	433,600
(6,541)	-	259,780	2,687,815	(2,742,174)	917,890	20,909,057
6,541	-	977,768	2,478,110	3,395,832	3,417,582	36,591,681
\$ -	\$ -	\$ 1,237,548	\$ 5,165,925	\$ 653,658	\$ 4,335,472	\$ 57,500,738

City of Casa Grande
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2006

Net change in fund balances - total governmental funds \$ 20,909,057

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditures for capital assets	6,149,636	
Less current year depreciation	<u>(4,210,643)</u>	
		1,938,993

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.

Contributed capital assets	43,225,896
Sale of capital assets	(85,086)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund statements

Deferred property tax	25,773
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets.

Bond payments	575,640	
Lease payments	<u>455,954</u>	
		1,031,594

Certain revenues in the governmental funds that provide current financial resources are not included in the statement of activities because they were recognized in a prior period. However, other revenues that are deferred in the governmental funds because they do not provide current financial resources due to unavailability are recognized in the statement of activities.

Special assessments	(309,020)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(72,021)
Interest expense on long-term debt	<u>(43,439)</u>

Change in net assets of governmental activities	<u><u>\$ 66,621,747</u></u>
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The accompanying notes are an integral part of the financial statements

City of Casa Grande
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property taxes	\$ 1,925,100	\$ 1,925,100	\$ 2,025,381	\$ 100,281
City sales tax	12,939,400	12,939,400	14,085,605	1,146,205
Franchise tax	722,500	722,500	1,236,366	513,866
Licenses and permits	1,742,400	1,742,400	3,632,214	1,889,814
Intergovernmental revenues	6,593,100	6,593,100	7,034,877	441,777
Charges for services	1,908,500	1,908,500	4,940,267	3,031,767
Fines	727,700	727,700	734,495	6,795
Investment earnings	50,000	50,000	417,951	367,951
Rental and sale of city property	66,000	66,000	113,990	47,990
Miscellaneous	58,000	293,000	304,864	11,864
Total revenues	26,732,700	26,967,700	34,526,010	7,558,310
EXPENDITURES				
Current:				
General government				
Mayor and Council	1,748,700	516,000	491,986	24,014
City manager	359,300	359,300	314,587	44,713
Attorney	415,900	415,900	412,746	3,154
Clerk	291,500	302,000	240,384	61,616
Finance	762,400	781,400	779,420	1,980
Information technology	973,400	981,400	942,012	39,388
Personnel	1,118,800	1,118,800	1,040,837	77,963
Public safety				
Police	8,615,900	8,470,000	8,403,092	66,908
Fire	3,775,700	3,775,700	3,771,929	3,771
Court	378,500	378,500	347,492	31,008
Animal Control	260,100	255,700	230,422	25,278
Public works	1,260,200	1,719,400	1,650,860	68,540
Culture and recreation	3,861,600	4,103,100	3,983,694	119,406
Planning and economic development	1,234,000	1,527,700	1,495,005	32,695
Capital outlay	824,200	909,700	623,634	286,066
Debt Service:				
Principal	520,200	554,200	367,897	186,303
Interest and fiscal charges	-	-	174,794	(174,794)
Total expenditures	26,400,400	26,168,800	25,270,791	898,009
Excess (deficiency) of revenues over (under) expenditures	332,300	798,900	9,255,219	8,456,319
OTHER FINANCING SOURCES (USES)				
Transfers in	1,690,500	1,690,500	1,690,500	-
Transfers out	(3,489,400)	(3,956,000)	(3,938,942)	17,058
Total other financing sources and uses	(1,798,900)	(2,265,500)	(2,248,442)	17,058
Net change in fund balance	(1,466,600)	(1,466,600)	7,006,777	8,473,377
Fund balance - beginning of year	1,466,600	1,466,600	12,265,950	10,799,350
Fund balance - end of year	\$ -	\$ -	\$ 19,272,727	\$ 19,272,727

The accompanying notes are an integral part of the financial statements

City of Casa Grande
Highway Users Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
State-shared gas tax	\$ 2,412,500	\$ 2,412,500	\$ 2,670,629	\$ 258,129
Local transportation assistance	155,600	155,600	155,548	(52)
County sales tax	1,265,000	1,057,000	2,425,082	1,368,082
Investment earnings	15,000	15,000	211,081	196,081
Miscellaneous	2,500	2,500	3,016	516
Total revenues	<u>3,850,600</u>	<u>3,642,600</u>	<u>5,465,356</u>	<u>1,822,756</u>
EXPENDITURES				
Culture and recreation				
Contractual services	24,200	24,200	14,625	9,575
Total Culture and recreation	<u>24,200</u>	<u>24,200</u>	<u>14,625</u>	<u>9,575</u>
Streets/Transportation				
Personal services	1,142,100	1,038,100	979,604	58,496
Contractual services	786,200	496,300	449,426	46,874
Materials and supplies	542,300	741,400	739,567	1,833
Capital outlay	4,478,000	4,164,900	1,029,724	3,135,176
Debt service	17,600	127,600	121,577	6,023
Total Streets/Transportation	<u>6,966,200</u>	<u>6,568,300</u>	<u>3,319,898</u>	<u>3,248,402</u>
Total expenditures	<u>6,990,400</u>	<u>6,592,500</u>	<u>3,334,523</u>	<u>3,257,977</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,139,800)</u>	<u>(2,949,900)</u>	<u>2,130,833</u>	<u>5,080,733</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(325,900)	(515,800)	(515,800)	-
Total other financing sources and uses	<u>(325,900)</u>	<u>(515,800)</u>	<u>(515,800)</u>	<u>-</u>
Net change in fund balance	<u>(3,465,700)</u>	<u>(3,465,700)</u>	<u>1,615,033</u>	<u>5,080,733</u>
Fund balance - beginning of year	<u>3,465,700</u>	<u>3,465,700</u>	<u>5,289,527</u>	<u>1,823,827</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,904,560</u>	<u>\$ 6,904,560</u>

The accompanying notes are an integral part of the financial statements

City of Casa Grande
System Development Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 170,000	\$ 170,000	\$ 11,353,338	\$ 11,183,338
Investment earnings	-	-	533,828	533,828
Total revenues	170,000	170,000	11,887,166	11,717,166
EXPENDITURES				
Culture and recreation	45,000	105,000	100,762	4,238
Capital outlay	3,193,300	3,127,300	204,501	2,922,799
Total expenditures	3,238,300	3,232,300	305,263	2,927,037
Excess (deficiency) of revenues over (under) expenditures	(3,068,300)	(3,062,300)	11,581,903	14,644,203
OTHER FINANCING SOURCES (USES)				
Transfers out	(500,000)	(506,000)	(505,583)	417
Total other financing sources and uses	(500,000)	(506,000)	(505,583)	417
Net change in fund balance	(3,568,300)	(3,568,300)	11,076,320	14,644,620
Fund balance - beginning of year	3,568,300	3,568,300	8,004,033	4,435,733
Fund balance - end of year	\$ -	\$ -	\$ 19,080,353	\$ 19,080,353

The accompanying notes are an integral part of the financial statements

City of Casa Grande
Grants and Subsidies Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenues	\$ 2,602,400	\$ 2,647,400	\$ 1,004,826	\$ (1,642,574)
Investment earnings	-	-	10,466	10,466
Contributions and donations	11,500	11,500	14,339	2,839
Total revenues	<u>2,613,900</u>	<u>2,658,900</u>	<u>1,029,631</u>	<u>(1,629,269)</u>
EXPENDITURES				
Public safety				
Personal services	314,200	360,200	50,926	309,274
Contractual services	5,000	6,000	4,056	1,944
Materials and supplies	31,800	127,300	102,141	25,159
Capital outlay	1,360,000	864,400	236,214	628,186
Total Public Safety	<u>1,711,000</u>	<u>1,357,900</u>	<u>393,337</u>	<u>964,563</u>
Culture and recreation				
Personal services	131,300	131,300	100,556	30,744
Contractual services	7,700	8,800	7,821	979
Materials and supplies	212,900	246,100	220,056	26,044
Total Culture and Recreation	<u>351,900</u>	<u>386,200</u>	<u>328,433</u>	<u>57,767</u>
Community development				
Contractual services	641,000	959,800	273,838	685,962
Total Community Development	<u>641,000</u>	<u>959,800</u>	<u>273,838</u>	<u>685,962</u>
Total expenditures	<u>2,703,900</u>	<u>2,703,900</u>	<u>995,608</u>	<u>1,708,292</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(90,000)</u>	<u>(45,000)</u>	<u>34,023</u>	<u>79,023</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	90,000	45,000	64,560	19,560
Total other financing sources and uses	<u>90,000</u>	<u>45,000</u>	<u>64,560</u>	<u>19,560</u>
Net change in fund balance	-	-	<u>98,583</u>	<u>98,583</u>
Fund balance - beginning of year	-	-	<u>154,843</u>	<u>154,843</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 253,426</u>	<u>\$ 253,426</u>

The accompanying notes are an integral part of the financial statements

City of Casa Grande
Community Development Block Grant Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Intergovernmental revenues	\$ 3,000,000	\$ 3,000,000	\$ 391,594	\$ (2,608,406)
Program income	-	-	41,315	41,315
Total revenues	3,000,000	3,000,000	432,909	(2,567,091)
EXPENDITURES				
Community development				
Personal services	-	10,000	8,648	1,352
Contractual services	3,000,000	729,300	419,844	309,456
Materials and supplies	-	10,700	8,843	1,857
Total expenditures	3,000,000	750,000	437,335	312,665
Excess (deficiency) of revenues over (under) expenditures	-	2,250,000	(4,426)	(2,254,426)
Fund balance - beginning of year	-	(2,250,000)	601,495	2,851,495
Fund balance - end of year	\$ -	\$ -	\$ 597,069	\$ 597,069

The accompanying notes are an integral part of the financial statements

City of Casa Grande
Self-Help Technical Assistance Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		(Negative)
REVENUES				
Intergovernmental revenues	\$ -	\$ -	\$ 287,482	\$ 287,482
Miscellaneous	-	-	3,623	3,623
Total revenues	-	-	291,105	291,105
EXPENDITURES				
Community development				
Personal services	-	220,000	209,341	10,659
Contractual services	-	150,000	83,982	66,018
Materials and supplies	-	30,000	4,323	25,677
Total expenditures	-	400,000	297,646	102,354
Excess (deficiency) of revenues over (under) expenditures	-	(400,000)	(6,541)	393,459
Fund balance - beginning of year	-	400,000	6,541	(393,459)
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of the financial statements

City of Casa Grande
Home/HUD Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ -	\$ -	\$ 810,275	\$ 810,275
Total revenues	-	-	810,275	810,275
EXPENDITURES				
Community development				
Personal services	-	37,000	36,503	497
Contractual services	-	1,513,000	773,772	739,228
Materials and supplies	-	-	-	-
Total expenditures	-	1,550,000	810,275	739,725
Excess (deficiency) of revenues over (under) expenditures	-	(1,550,000)	-	1,550,000
Fund balance - beginning of year	-	1,550,000	-	(1,550,000)
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of the financial statements

**City of Casa Grande
Statement of Net Assets
Proprietary Funds
June 30, 2006**

	Business-type Activities-Enterprise Funds		
	Water	Wastewater	Wastewater Dev Fees
ASSETS			
Current assets:			
Cash	\$ 625,812	\$ 472,696	\$ -
Cash with fiscal agent	-	1,610	-
Investments	1,300	6,884,701	11,481,255
Receivables, net of uncollectibles	22,096	623,675	65,334
Inventories	-	-	-
Total current assets	<u>649,208</u>	<u>7,982,682</u>	<u>11,546,589</u>
Noncurrent assets:			
Deferred bond costs	-	342,739	-
Capital assets:			
Land	-	-	-
Buildings and improvements	-	47,610,937	-
Machinery and equipment	1,036,504	1,129,683	-
Less accumulated depreciation	(239,665)	(9,032,133)	-
Total capital assets, net	<u>796,839</u>	<u>39,708,487</u>	<u>-</u>
Total noncurrent assets	<u>796,839</u>	<u>40,051,226</u>	<u>-</u>
Total assets	<u>1,446,047</u>	<u>48,033,908</u>	<u>11,546,589</u>
LIABILITIES			
Current liabilities:			
Accounts payable	2,724	41,997	6,665
Deposits held	14,330	-	-
Accrued wages and benefits	-	7,349	-
Accrued interest payable	2,888	162,298	-
Due to other funds	-	-	-
Compensated absences	-	23,267	-
Capital leases	-	-	-
Notes payable	9,549	-	-
Excise tax revenue obligations	-	523,545	-
Total current liabilities	<u>29,491</u>	<u>758,456</u>	<u>6,665</u>
Noncurrent liabilities:			
Capital leases	-	-	-
Notes payable	158,520	-	-
Excise tax revenue obligations	-	14,388,332	-
Bond premium 2003 issue	-	371,814	-
Deferred amount on refunding	-	(256,522)	-
Closure and postclosure liability	-	-	-
Total noncurrent liabilities	<u>158,520</u>	<u>14,503,624</u>	<u>-</u>
Total liabilities	<u>188,011</u>	<u>15,262,080</u>	<u>6,665</u>
NET ASSETS			
Invested in capital assets, net of related debt	628,770	24,796,610	-
Restricted for:			
Construction	-	1,610	11,539,924
Unrestricted	629,266	7,973,608	-
Total net assets	<u>\$ 1,258,036</u>	<u>\$ 32,771,828</u>	<u>\$ 11,539,924</u>

The accompanying notes are an integral part of the financial statements

Business-type Activities-Enterprise Funds			Governmental Activities - Internal Service Funds
Sanitation	Golf Course	Total	
\$ 10,855	\$ 10,946	\$ 1,120,309	\$ 9,173
-	-	1,610	-
1,851,721	-	20,218,977	-
49,215	1,215	761,535	-
-	8,952	8,952	154,262
<u>1,911,791</u>	<u>21,113</u>	<u>22,111,383</u>	<u>163,435</u>
-	-	342,739	-
-	283,000	283,000	-
167,092	531,611	48,309,640	52,354
5,091,501	660,944	7,918,632	226,825
<u>(3,108,672)</u>	<u>(914,101)</u>	<u>(13,294,571)</u>	<u>(205,836)</u>
<u>2,149,921</u>	<u>561,454</u>	<u>43,216,701</u>	<u>73,343</u>
<u>2,149,921</u>	<u>561,454</u>	<u>43,559,440</u>	<u>73,343</u>
<u>4,061,712</u>	<u>582,567</u>	<u>65,670,823</u>	<u>236,778</u>
227,615	22,283	301,284	61,231
-	-	14,330	-
28,604	7,283	43,236	6,663
-	81	165,267	-
-	60,000	60,000	-
61,742	11,338	96,347	10,791
112,392	-	112,392	-
-	-	9,549	-
-	-	523,545	-
<u>430,353</u>	<u>100,985</u>	<u>1,325,950</u>	<u>78,685</u>
295,899	-	295,899	-
-	-	158,520	-
-	-	14,388,332	-
-	-	371,814	-
-	-	(256,522)	-
<u>1,624,796</u>	<u>-</u>	<u>1,624,796</u>	<u>-</u>
<u>1,920,695</u>	<u>-</u>	<u>16,582,839</u>	<u>-</u>
<u>2,351,048</u>	<u>100,985</u>	<u>17,908,789</u>	<u>78,685</u>
1,741,630	561,454	27,728,464	-
-	-	11,541,534	-
<u>(30,966)</u>	<u>(79,872)</u>	<u>8,492,036</u>	<u>158,093</u>
<u>\$ 1,710,664</u>	<u>\$ 481,582</u>	<u>\$ 47,762,034</u>	<u>\$ 158,093</u>

City of Casa Grande
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2006

	Business-type Activities-Enterprise Funds		
	Water	Wastewater	Wastewater Dev Fees
Operating revenues:			
Service fees	\$ 197,834	\$ 2,497,619	\$ -
Connection fees	-	251,446	4,784,736
Rental	-	-	-
Green fees	-	-	-
Miscellaneous	-	20,177	-
Total operating revenue	197,834	2,769,242	4,784,736
Operating expenses:			
Personal services	1,600	574,444	-
Contractual services	5,602	456,815	-
Materials and supplies	29,948	660,351	-
Depreciation	55,121	1,073,068	-
Closure and postclosure costs	-	-	-
Total operating expenses	92,271	2,764,678	-
Operating income (loss)	105,563	4,564	4,784,736
Nonoperating revenues (expense):			
Investment earnings	-	233,853	348,685
Interest expense	(5,777)	(373,450)	-
City sales tax	-	2,660,843	-
Total nonoperating revenues (expense)	(5,777)	2,521,246	348,685
Income (loss) before contributions and transfers	99,786	2,525,810	5,133,421
Capital contributions	-	7,991,457	-
Transfers in	-	-	-
Transfers out	(21,900)	(153,300)	-
Change in net assets	77,886	10,363,967	5,133,421
Total net assets-beginning of year	1,180,150	22,407,861	6,406,503
Total net assets-end of year	\$ 1,258,036	\$ 32,771,828	\$ 11,539,924

The accompanying notes are an integral part of the financial statements

Business-type Activities-Enterprise Funds			Governmental Activities - Internal Service Funds
Sanitation	Golf Course	Total	
\$ 4,222,208	\$ -	\$ 6,917,661	\$ 995,210
348,919	-	5,385,101	-
-	197,970	197,970	-
-	583,494	583,494	-
4,845	33,480	58,502	-
4,575,972	814,944	13,142,728	995,210
1,813,989	509,631	2,899,664	353,326
578,975	35,465	1,076,857	165,836
573,473	342,055	1,605,827	374,864
433,529	41,170	1,602,888	16,787
120,207	-	120,207	-
3,520,173	928,321	7,305,443	910,810
1,055,799	(113,377)	5,837,285	84,400
52,995	-	635,533	-
(18,477)	-	(397,704)	-
-	15,788	2,676,631	-
34,518	15,788	2,914,460	-
1,090,317	(97,589)	8,751,745	84,400
-	-	7,991,457	-
-	400,600	400,600	-
(481,600)	(93,000)	(749,800)	(84,400)
608,717	210,011	16,394,002	-
1,101,947	271,571	31,368,032	158,093
\$ 1,710,664	\$ 481,582	\$ 47,762,034	\$ 158,093

City of Casa Grande
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2006

	Business-type Activities-Enterprise Funds		
	Water	Wastewater	Wastewater Dev Fees
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 198,558	\$ 2,610,292	\$ 4,784,736
Payments to suppliers	(36,174)	(1,148,894)	(18,448)
Payments to employees	(1,600)	(578,671)	-
Net cash provided (used) by operating activities	160,784	882,727	4,766,288
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
City sales tax	-	2,660,843	
Transfers to other funds	(21,900)	(153,300)	
Transfers from other funds	-	-	
Net cash provided (used) by noncapital financing activities	(21,900)	2,507,543	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	-	(1,147,173)	-
Principal paid on capital debt	(9,231)	(591,660)	-
Interest paid on capital debt	(5,936)	(336,463)	-
Net cash (used) by capital and related financing activities	(15,167)	(2,075,296)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	-	206,446	309,413
Net cash provided by investing activities	-	206,446	309,413
Net increase (decrease) in cash	123,717	1,521,420	5,075,701
Cash and cash equivalents at beginning of year	503,395	5,837,587	6,405,554
Cash and cash equivalents at end of year	\$ 627,112	\$ 7,359,007	\$ 11,481,255
Cash	\$ 625,812	\$ 472,696	\$ -
Cash with fiscal agent	-	1,610	-
Investments	1,300	6,884,701	11,481,255
	\$ 627,112	\$ 7,359,007	\$ 11,481,255

The accompanying notes are an integral part of the financial statements

<u>Business-type Activities-Enterprise Funds</u>			<u>Governmental Activities - Internal Service Fund</u>
<u>Sanitation</u>	<u>Golf Course</u>	<u>Total</u>	
\$ 4,592,431	\$ 814,720	\$ 13,000,737	\$ 995,210
(956,814)	(520,758)	(2,681,088)	(537,553)
<u>(1,790,310)</u>	<u>(507,050)</u>	<u>(2,877,631)</u>	<u>(346,785)</u>
1,845,307	(213,088)	7,442,018	110,872
-	15,788	2,676,631	-
(481,600)	(93,000)	(749,800)	(84,400)
<u>-</u>	<u>400,600</u>	<u>400,600</u>	<u>-</u>
(481,600)	323,388	2,327,431	(84,400)
(199,079)	(105,095)	(1,451,347)	(33,809)
(108,174)	-	(709,065)	-
<u>(18,478)</u>	<u>-</u>	<u>(360,877)</u>	<u>-</u>
(325,731)	(105,095)	(2,521,289)	(33,809)
47,430	-	563,289	-
<u>47,430</u>	<u>-</u>	<u>563,289</u>	<u>-</u>
1,085,406	5,205	7,811,449	(7,337)
<u>777,170</u>	<u>5,741</u>	<u>13,529,447</u>	<u>16,510</u>
\$ 1,862,576	\$ 10,946	\$ 21,340,896	\$ 9,173
\$ 10,855	\$ 10,946	\$ 1,120,309	\$ 9,173
-	-	1,610	-
1,851,721	-	20,218,977	-
<u>\$ 1,862,576</u>	<u>\$ 10,946</u>	<u>\$ 21,340,896</u>	<u>\$ 9,173</u>

(continued)

**City of Casa Grande
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2006**

	Business-type Activities-Enterprise Funds		
	Water	Wastewater	Wastewater Dev Fees
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 105,563	\$ 4,564	\$ 4,784,736
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Closure and postclosure costs	-	-	-
Depreciation expense	55,121	1,073,068	
(Increase) decrease in accounts receivable	(1,091)	(158,950)	
(Increase) decrease in inventory		-	
Increase (decrease) in accounts payable	(624)	(31,728)	(18,448)
Increase (decrease) in deposits held	1,815	-	
Increase (decrease) in accrued wages	-	(683)	
Increase (decrease) in due to other funds	-	-	
Increase (decrease) in compensated absences	-	(3,544)	
Total adjustments	<u>55,221</u>	<u>878,163</u>	<u>(18,448)</u>
Net cash provided (used) by operating activities	<u>\$ 160,784</u>	<u>\$ 882,727</u>	<u>\$ 4,766,288</u>
Noncash investing, capital, and financing activities:			
Contributions of capital assets	-	<u>\$ 7,991,457</u>	-

The accompanying notes are an integral part of the financial statements

Business-type Activities-Enterprise Funds			Governmental Activities - Internal Service Fund
Sanitation	Golf Course	Total	
\$ 1,055,799	\$ (113,377)	\$ 5,837,285	\$ 84,400
120,207	-	120,207	
433,529	41,170	1,602,888	16,787
16,459	(225)	(143,807)	1,630
-	(8,952)	(8,952)	(22,978)
195,634	(4,285)	140,549	24,492
-	-	1,815	-
9,041	2,401	10,759	2,093
-	(130,000)	(130,000)	-
14,638	180	11,274	4,448
<u>789,508</u>	<u>(99,711)</u>	<u>1,604,733</u>	<u>26,472</u>
\$ 1,845,307	\$ (213,088)	\$ 7,442,018	\$ 110,872
-	-	\$ 7,991,457	

City of Casa Grande
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

	Agency Funds	Part-Time Firemen's Pension
ASSETS		
Cash	\$ 15,631	\$ 5,914
Interest receivable	2,958	-
Investments, at fair value	509,145	766,709
Total assets	527,734	772,623
LIABILITIES		
Other liabilities	527,734	-
Total liabilities	527,734	-
NET ASSETS		
Held in trust for pension benefits and other purposes	\$ -	\$ 772,623

The accompanying notes are an integral part of the financial statements

City of Casa Grande
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2006

	Part-Time Firemen's Pension
ADDITIONS	
Contributions:	
Employer	\$ 1,584
Plan members	1,584
Total contributions	3,168
Investment earnings:	
Interest	32,496
Change in the fair value of investments	57,576
Total investment earnings	90,072
Less investment expense	(6,348)
Net investment earnings	83,724
Total additions	86,892
DEDUCTIONS	
Pension payments	84,763
Administrative expenses	1,922
Total deductions	86,685
Change in net assets	207
Net assets-beginning of year	772,416
Net assets-end of year	\$ 772,623

The accompanying notes are an integral part of the financial statements

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1: **Summary of Significant Accounting Policies**

The accounting policies and financial reporting practices of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the City's significant accounting policies:

(A) **Reporting Entity**

The reporting entity of the City includes the following services as authorized by its charter: general government, public safety (police, court and fire), streets/transportation, public works, culture and recreation and economic development. In addition, the City owns and operates four major enterprise activities: wastewater system, sanitation operations, golf course and water system.

Individual Component Unit – Blended

The Mission Royale Community Facilities District and the Villago Community Facilities District (the Districts) were formed for the purpose of acquiring or constructing public infrastructure in specified areas of the City. As special purpose districts and separate political subdivisions under the Arizona Constitution, the Districts can levy taxes and issue bonds independently of the City. Property owners in the designated areas are assessed for District taxes, and thus for the costs of operating the Districts. The City Council serves as the Board of Directors; however, the City has no liability for the District's debt. For reporting purposes, the transactions of the Districts are combined together and included as governmental type funds as if they were part of the City's operations.

No separate financial statements were prepared for the Districts.

(B) **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from Business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses for a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1: **Summary of Significant Accounting Policies** (continued)

(B) **Government-wide and Fund Financial Statements** (continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements. The “doubling up” effect of internal service fund activity has been removed from the government-wide statements with the expenses shown in the various functions and segments on the Statement of Activities.

(C) **Basis of Presentation – Fund Accounting**

The accounts of the City are organized on the basis of funds each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures (expenses). The various funds are summarized by type in the combined financial statements. The City uses the following fund types:

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operation fund of the City. It is used to account for all financial resources except for those required to be accounted for in another fund.

Special Revenue Funds - The Special Revenue Funds are used to account for revenues derived from specific taxes, grants or other restricted revenue sources. City Ordinances or Federal and State Statutes specify the uses and limitations of each special revenue fund. The Special Revenue Funds presented as major funds in the basic financial statement are as follows:

Highway Users Fund, used to account for the city’s share of tax revenues that are legally restricted to the maintenance of highways within the city’s boundaries;

Systems Development Fund, used for fees collected to help defray the costs of development of general government;

Grants and Subsidies Fund, used to account for various small grants;

Community Development Block Grant Fund (CDBG), used to account for intergovernmental grants, which are used to improve and develop neighborhoods by developing housing;

Self-help Technical Assistance Fund, used to account for the activity related to the Rural Development Self-Help Technical Assistance Grant;

Home/HUD Fund, used to account for intergovernmental grants used to rehabilitate owner occupied homes and to provide counseling services.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1: **Summary of Significant Accounting Policies** (continued)

(C) **Basis of Presentation – Fund Accounting** (continued)

GOVERNMENTAL FUNDS (continued)

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for and the payment of general obligation long-term debt principal, interest and related costs. The Special Assessment Debt Service Fund is a major fund presented in the basic financial statements. This fund accounts for the receipts of revenues from special assessment districts and the payment of special assessment bonds.

Capital Project Funds - Capital Project Funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). The Capital Replacement Fund is a major fund presented in the basic financial statements. This fund is used to account for the replacement of various capital items or development of infrastructure. The Community Facilities Districts (CFD) Capital Projects Fund accounts for capital construction activities within the CFDs.

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The enterprise funds presented as major funds in the basic financial statement are as follows:

Water Fund - Used to account for water related activities.

Wastewater Fund – This fund is used to account for the activities of the sewer (wastewater) operations and maintenance.

Wastewater Development Fees Fund – Fees collected to help defray the costs of development of the wastewater system.

Sanitation Fund – This fund is used to account for the operations of the City’s trash and landfill services.

Golf Course Fund – This fund is used to account for the operations of the City’s public golf course.

On the proprietary fund financial statements, operating revenues are those that flow directly from the operations of that activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items like investment income and interest expense that are not a result of the direct operations of the activity.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1: **Summary of Significant Accounting Policies** (continued)

(C) **Basis of Presentation – Fund Accounting** (continued)

PROPRIETARY FUNDS (continued)

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, generally on a cost-reimbursement basis. The City has one internal services fund, Equipment Mechanics. This fund is used to account for the maintenance and operations of City owned vehicles.

FIDUCIARY FUNDS

Fiduciary funds account for assets held by the City in a trustee or agency capacity on behalf of others and therefore are not available to support City programs. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. Fiduciary Funds are not included in the government-wide financial statements since they are not assets of the City available to support City programs.

Pension Trust Funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other post employment benefit plans, or other employee benefit plans. The City has one Pension Trust Fund to account for the activities of the part-time firemen's pension plan.

Agency Funds account for assets the City holds as an agent for individuals, private organizations, other governments or other funds in a temporary custodial capacity. The City currently maintains two agency funds, one to account for deposits received from various businesses in order to conduct business within the City, and the other to account for employee deposits into a flexible spending plan. The two agency funds are aggregated in the statements.

NON-CURRENT GOVERNMENTAL ASSETS AND LIABILITIES

Non-Current Governmental Assets and Liabilities - GASB Statement #34 eliminates the presentation of account groups in the financial statements (formerly the general fixed asset account group and the general long-term debt account group). The governmental long-term assets and liabilities continue to be maintained in a separate fund for tracking purposes, but are presented with the governmental activities in the government-wide Statement of Net Assets.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1: **Summary of Significant Accounting Policies** (continued)

(D) **Implementation of GASB Statement No.34**

1. Governmental Accounting Standards Board Statement No. 34

In fiscal year 2002/2003 the City adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This statement affects the manner in which the City records transactions and presents financial information. State and local governments have traditionally used a financial reporting model substantially different from the one used to prepare private sector financial reports. GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments.

The statement was developed to make annual reports of state and local governments easier to understand and more useful to the people who use governmental financial information to make decisions and include the following sections, which were not previously included in the Comprehensive Annual Financial Statements. The governmental fund financial statements continue to be presented as a building block for the new GASB Statement No. 34 statements.

- a. *Management’s Discussion and Analysis* – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the City’s financial activities in the form of “management’s discussion and analysis” (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.
- b. *Government-Wide Financial Statements* – The reporting model includes financial statements prepared using full accrual accounting for all of the City’s activities. This approach includes not just current assets and liabilities but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Assets – The statement of net assets is designed to display the financial position of the primary government (government and business-type activities). The City now reports all capital assets in the government-wide statement of net assets and reports depreciation expense – the cost of “using up” capital assets – in the statement of activities. The net assets of the City are broken down into three components: 1) invested in capital assets, net of related debt, 2) restricted and 3) unrestricted.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1: **Summary of Significant Accounting Policies** (continued)

(D) **Implementation of GASB Statement No.34** (continued)

1. Governmental Accounting Standards Board Statement No. 34 (continued)

b. *Statement of Net Assets* (continued)

Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally, the City would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Statement of Activities – The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the City’s functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the City has recorded capital and certain other long-term assets and liabilities in the statement of net assets, and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities.

2. Governmental Accounting Standards Board Statement No. 36

The City adopted the provisions of GASB Statement No. 36, *Receipt Reporting for Certain Shared Nonexchange Revenues*. This statement amends GASB Statement No. 33 with respect to the manner in which shared nonexchange revenues are accounted for by recipient governments.

3. Governmental Accounting Standards Board Statement No. 37

The City adopted the provisions of GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*. This statement amends GASB Statement No. 34 to either 1) clarify certain provisions or 2) modify other provisions that GASB believes may have unintended consequences in some circumstances. Accordingly, the City considered the effects of this statement when adopting the provisions of GASB Statement No. 34 as previously described.

4. Governmental Accounting Standards Board Statement No. 38

The City adopted the provisions of GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. This statement modifies, establishes, and rescinds certain financial statement disclosure requirements. Accordingly, certain footnote disclosures have been revised to conform to the provisions of GASB Statement No. 38.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1: **Summary of Significant Accounting Policies** (continued)

(D) **Implementation of GASB Statement No.34** (continued)

5. Governmental Accounting Standards Board Statement No. 40

The City adopted the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This statement amends GASB Statement No. 3 and establishes more comprehensive disclosure requirements addressing common risks of the deposits and investments of state and local governments.

6. Governmental Accounting Standards Board Statement No. 44

The City adopted the provisions of GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*. This statement amends National Council on Governmental Accounting Statement 1 and establishes and modifies requirements related to the supplementary information presented in a Statistical section in order to improve the understandability and usefulness of the information.

(E) **Basis of Accounting**

Different measurement focuses are applied to governmental, proprietary and fiduciary funds. The governmental fund measurement focus is on determination of financial position and changes in financial position. Governmental funds focus on the flow of resources. The proprietary and pension fund measurement focus is on determination of net income, financial position, and changes in financial position. Agency funds are custodial in nature and do not measure results of operation or have a measurement focus.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

In applying the susceptible to accrual concept to intergovernmental revenues (grants, subsidies and shared revenues), the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on specific purpose of the project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditures and nearly irrevocable, i.e., revocable only for failure to comply with prescribed compliance requirements, e.g., equal employment opportunity. These resources are reflected as revenues at the time of receipt or earlier if they meet the criterion of availability.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1: **Summary of Significant Accounting Policies** (continued)

(E) **Basis of Accounting** (continued)

Licenses and permits, charges for services, fines, forfeitures and miscellaneous revenues are recorded as revenues when received. Investment interest is recorded as earned since they are measurable and available. City sales tax, collected by the State of Arizona, and property taxes are accrued in the accounting period they become both measurable and available.

The portion of property tax levies available on June 30, 2006, are recorded as receivable, net of allowance for uncollectibles. The balance of the tax levy not collected within 60 days after year-end are reflected as deferred revenue.

Special assessments and notes receivables are recorded as revenue as installments are received. The balances of these receivables are reflected as deferred revenue. Direct loans made through Community Development Block Grants are reflected as a reserve in fund balance.

All proprietary and pension funds are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred.

Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting, the City follows GASB guidance as applicable to its proprietary funds, and Financial Accounting Standards Boards Statements and Interpretations, Accounting Principals Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB Pronouncements.

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(F) **Budgetary Data**

- (1) In the spring of each year, the City Manager submits to City Council an estimate of the expenditures necessary to conduct the affairs of the City for the fiscal year commencing July 1st.
- (2) The Council holds open work sessions relating to budget preparation.
- (3) After required public hearings are held, budget for all governmental and proprietary funds (excluding internal service and pension funds) are legally enacted prior to the third Monday of July as required by Arizona Revised Statutes. The budget specifies expenditure amounts by activity.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1: **Summary of Significant Accounting Policies** (continued)

(F) **Budgetary Data** (continued)

- (4) Transfers of budgeted amounts within a department can be authorized by the Director of Finance upon the City Manager's approval unless the transfer involves a transfer from personal services. This type of budgetary transfer requires Council approval. Council approval is required for transfers of budgeted amounts from one department or fund to another. The original budget has been amended for the year ending 2005-2006.
- (5) All funds except internal service funds are subject to the comprehensive appropriated budget except as provided under state law.
- (6) Encumbrances are not used by the City. All appropriations lapse at fiscal year-end. Invoices for goods and services received on or before June 30, must be paid within 60 days of the fiscal year-end.
- (7) The budget for the City is adopted on a basis consistent with generally accepted accounting principles.
- (8) Under State statutes, there are certain annual expenditure limitations to which the City adheres.
- (9) Several supplemental appropriations were necessary during the year.
- (10) Expenditures may not legally exceed budgeted appropriations at the department level.

GASB #34 requires that budgetary comparison statements for the general fund and major special revenue funds be presented in the annual financial statements. These statements must display original budget, final budget and actual results. The City has also shown this information as supplementary schedules for other governmental funds as well as enterprise funds.

(G) **Cash and Cash Equivalents**

Cash represents amounts in demand deposits and amounts held in trust by financial institutions. The funds held in trust are available to the City upon demand. Cash equivalents are defined as short-term (original maturities of three months or less), highly liquid investments that are 1) readily convertible to known amounts of cash and 2) so near maturity that they present insignificant risk of changes in value because of changes in interest rates

(H) **Investments**

The City adheres to the Arizona Revised Statutes (A.R.S. §35-323) that governs the investment of City funds. Eligible investments include certificate of deposits in eligible depositories, interest bearing accounts in qualified banks, repurchase agreements, pooled investments by the State Treasurer, bonds of the U.S. Government that are guaranteed as to principal and interest, and bonds of the state, county, city, town or school district. All investments except for the Part-time Firemen's Pension funds are invested in the State's Local Government Investment Pool.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1: **Summary of Significant Accounting Policies** (continued)

(H) Investments (continued)

The State's investment pool is managed by the State Treasurer's office. The pool is not required to register with the Securities and Exchange Commission under the 1940 Investments Advisors Act. The activity and performance of the pool is reviewed monthly by the State Board of Investment in accordance with A.R.S. §35-311. The Arizona State Treasurer issues a publicly available financial report that includes financial statements and required supplementary information. Copies may be obtained by contacting the Arizona State Treasurer, 1700 West Washington, Phoenix, Arizona 85007. In accordance with GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and External Investment Pools," the City records all its investments at fair value as defined in the statement. The Part-time Firemen's Pension investments are valued from quoted market prices at year-end.

(I) Inventories

Inventories for Governmental and Proprietary Funds consist primarily of expendable supplies. Governmental funds maintain inventories using the consumption method of accounting. All inventories are valued at cost, which approximates market, using the first-in/first-out method. Physical inventories are conducted at year-end for financial statements purposes.

(J) Capital Assets

Capital Assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year.

Assets contributed (donated) to those funds are recorded by reference to historical costs of the donor if recently purchased or constructed, or if such records are not available, at estimated fair market value on the date of receipt. General government infrastructure capital assets include only those assets acquired or constructed in the past four years. No infrastructure acquired prior to 2003 has been included. Infrastructure from 1980 to 2003 will be included in fiscal year 2007.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest of \$317,937 was capitalized for 2005-2006 for the Wastewater Treatment Plant.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1: **Summary of Significant Accounting Policies** (continued)

(J) Capital Assets (continued)

Depreciation of all assets is recorded and calculated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Sewer system.....	20 to 50 years
Street system	20 to 30 years
Building and facility improvements	20 years
Streetlights and traffic control devices	20 years
Other Improvements and landscaping	15 years
Vehicles.....	3 to 15 years
Equipment	5 to 10 years
Furniture and fixtures	5 to 10 years
Computers/software.....	3 years

(K) Compensated Absences

City employees are granted one day of vacation leave per month. Employees are entitled to accumulate vacation to a maximum allowable limit depending on the number of years of service. In the event of termination, an employee is reimbursed for the accumulated vacation leave.

Different measurement focuses for governmental and proprietary funds were considered when determining the compensated absences liability. Because the measurement focus for proprietary funds is the determination of net income, current and long-term liabilities are recorded in the accounting records. The measurement focus for governmental funds is the flow of financial resources; expenditures for vacation time are accrued as current liabilities only if they have matured (i.e., unused reimbursable leave still outstanding following an employee's resignation or retirement).

City employees with less than ten years of service are granted nonvesting sick leave. Employees with ten or more years of service will be paid the unused accrued sick leave as follows:

- 10 – 15 years of service will receive 30% up to a maximum of 128 hours
- 15 – 19 years of service will receive 40% up to a maximum of 218 hours
- 20 or more years of service will receive 50% up to a maximum of 640 hours.

Sick leave compensation is accounted for in the period in which the event takes place.

(L) Long-term Obligations

A distinction is made between proprietary fund long-term liabilities and governmental long-term debt. Governmental funds' long-term obligations are recognized as a liability in the governmental funds when due and expected to be financed from expendable available financial resources. Long-term obligations expected to be financed from proprietary fund operations are accounted for in those funds.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1: **Summary of Significant Accounting Policies** (continued)

(M) Interfund Transactions

Interfund transactions are categorized as loans, reimbursements, interfund services provided and used or transfers. Loans between funds are reported in the balance sheet of the borrowing and lending funds as a liability and receivable, respectively. Reimbursements are expenditures or expenses of one fund but are attributable to another fund. An example of this type of transaction is when one fund purchases a supply in which another fund uses, thus reimbursing the original funds expenditure/ expense. An interfund services provided and used transaction is a revenue or expenditure/expense if the transaction involved an outside party. Utility receipts and payments are examples of transactions where the fund receiving the service records an expenditure/expense and the fund supplying the service records a revenue. Other interfund transactions are classified as transfers. Transfers usually reflect ongoing operating subsidies between funds.

(N) Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditures or legally segregated for a specific future use.

NOTE 2: **Cash and Investments**

At year-end, the City had the following cash and investments:

Cash	\$ 7,520,414
Investments	66,613,934
Restricted investments	<u>981,194</u>
Total cash and investments	<u>\$75,115,542</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, an entity will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The carrying amount of the City's cash in bank totaled \$7,520,414 and the bank balance was \$7,961,820. Federal Depository Insurance covered the City's deposits at June 30, 2006, to the extent of \$200,000. Deposits of \$7,520,000 were collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the City's name. The balance of \$241,820 is uncollateralized at June 30, 2006.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 2: **Cash and Investments** (continued)

Custodial Credit Risk (continued)

Cash and cash equivalents include restricted and unrestricted amounts and are included in the financial statements as follows:

	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Cash	\$ 6,378,560	\$ 1,120,309	\$ 21,545	\$ 7,520,414
Investments	45,119,103	20,218,977	1,275,854	66,613,934
Restricted investments	979,584	1,610	-	981,194
	<u>\$52,477,247</u>	<u>\$21,340,896</u>	<u>\$1,297,399</u>	<u>\$75,115,542</u>

Investments

The City's policy is to invest unrestricted cash in the Local Government Investment Pool (LGIP), an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. The LGIP is not registered with the Securities Exchange Commission under the 1940 Investment Advisors Act. The State Board of Investment has oversight responsibilities of the investment pool in accordance with ARS 35-311. The pool's policy is to invest in fixed-rate securities with a final maturity less than 24 months from the settlement date of the purchase and variable-rate securities with final maturity less than 5 years. The dollar weighted average portfolio maturity is less than 180 days. Only securities backed by the full faith and credit of the U.S. Government may be purchased for this pool. The fair value balance of the pool at June 30, 2006 was \$1,440,524,210.

In 2002 an investment within the portfolio defaulted and a loss of \$472,455 was recognized and reported on the financial statements ended June 30, 2003. To date, \$183,878 has been recovered on this loss.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. All investments have a remaining maturity of 12 months or less.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 2: **Cash and Investments** (continued)

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of year-end for each investment type.

Investment Type	Amount	Ratings as of Year-End	
		AAA	Unrated
LGIP	\$65,845,927	\$ -	\$65,845,927
Fire Fighter Pension:			
LGIP	1,609	-	1,609
American Funds	7,377	-	7,377
Linsco	757,723	-	757,723
JP Morgan	908,106	-	908,106
Wells Fargo	74,386	-	74,386
	<u>\$67,595,128</u>	<u>\$ -</u>	<u>\$67,595,128</u>

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer are as follows:

Issuer	Investment Type	Reported Amount
LGIP	State Investment Pool	\$65,845,927
Fire Fighter Pension Plan:		
LGIP	State Investment Pool	1,609
American Funds	Money Market	7,377
Linsco/Private Ledger	Money Market & Mutual Funds	757,723
JP Morgan	Money Market	908,106
Wells Fargo	Money Market	74,386
		<u>\$67,595,128</u>

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 3: **Cash with Fiscal Agent**

In May 2005, the City purchased a Public Works Facility with issuance of lease purchase debt. A portion of the debt to be used for building improvements was placed in an interest bearing escrow account.

Fund Type	Description of Designated Capital	Balance at June 30, 2006
Capital - Development	Public Works Facility	\$905,198

In April 2005, the Mission Royale Community Facilities District issued long-term revenue obligations in which the funds received were placed with a third party trustee in an interest bearing escrow account. The purpose of the funds is to finance the construction of sewer line.

Fund Type	Description of Designated Capital	Balance at June 30, 2006
Capital - CFD	Sewer Line	\$74,386

In January 2003, the City issued long-term revenue obligations in which the funds received were placed with a third party trustee in an interest bearing escrow account. The funds are being used to finance the Wastewater Treatment Plant.

Fund Type	Description of Designated Capital	Balance at June 30, 2006
Enterprise - Wastewater	Wastewater Treatment Plant	\$1,610

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 4: **Receivables**

The following table summarizes the City's governmental activities receivables as of June 30, 2006:

	General	Special Revenue	Debt Service	Capital	Total
Receivables:					
Taxes	\$3,985,532	\$ 686,712	\$135,240	\$ 118	\$4,807,602
Accounts	784,032	819,607	79,067	-	1,682,706
Interest	73,890	54,471	14,608	21,721	164,690
Gross Receivables	4,843,454	1,560,790	228,915	21,839	6,654,998
Less: allowance for uncollectible	(18,412)	-	-	-	(18,412)
Net total	<u>\$4,825,042</u>	<u>\$1,560,790</u>	<u>\$228,915</u>	<u>\$21,839</u>	<u>\$6,636,586</u>

The following table summarizes the City's business-type activities receivables as of June 30, 2006

	Water	Wastewater	Wastewater Dev Fees	Sanitation	Golf Course	Total
Receivables:						
Taxes	\$ -	\$554,207	\$ -	\$ -	\$ -	\$ 554,207
Accounts	22,096	520,789	-	689,980	1,215	1,234,080
Interest	-	41,344	65,334	10,457	-	117,135
Gross Receivables	22,096	1,116,340	65,334	700,437	1,215	1,905,422
Less: allowance for uncollectible	-	(492,665)	-	(651,222)	-	(1,143,887)
Net total receivables	<u>\$22,096</u>	<u>\$623,675</u>	<u>\$65,334</u>	<u>\$49,215</u>	<u>\$1,215</u>	<u>\$761,535</u>

Revenues of wastewater and sanitation are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

Uncollectibles related to wastewater	\$ 80,924
Uncollectibles related to sanitation	<u>109,752</u>
Total uncollectibles of the current fiscal year	<u>\$ 190,676</u>

NOTE 5: **Direct Loans**

The City issues loans to provide housing for low-income families, which are funded by Community Development Block Grants from the U.S. Department of Housing and Urban Development through the Arizona Department of Commerce. These loans are paid back on a monthly basis and have varying terms and maturity dates. At June 30, 2006, there were 65 of these loans outstanding, totaling \$597,069.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 6: **Property Taxes**

Arizona Revised Statutes require that property taxes be levied on or before the third Monday in August. Taxes are levied and collected by the Pinal County Treasurer on real and personal property. Real property taxes, payable in two installments, are due November 1 and May 1. Personal property taxes are billed throughout the year. Interest and penalties are assessed if a taxpayer fails to pay the tax within a period of time specified by law. Taxes are considered a lien against real property at the date of levy.

The property tax levy as described in the Arizona Revised Statutes is divided into two levies, a limited levy known as the primary levy and an unlimited levy known as the secondary levy. The secondary taxes are levied strictly for the retirement and redemption of bond indebtedness, while the primary taxes are imposed for all purposes.

The primary tax levy is limited to a 2% increase over the previous year's maximum allowable primary levy plus an increased dollar amount due to a net gain in property not taxed the previous year. The primary levy is further limited in that the primary tax from all jurisdictions may not exceed 1% of the homeowner's market value of the home. Secondary taxes are levied to retire voter approved general obligation bonds.

The City's 2005-2006 maximum primary levy limit was \$2,868,990. The primary tax levy was \$1,735,100. The City did not have a secondary tax levy.

The City's total tax levy for 2005-2006 was \$1,735,100. Using the modified accrual basis of accounting, property tax revenue is recognized when it becomes both measurable and available to finance expenditures as of June 30, and expected to be collected within 60 days after year-end. Available means taxes due or past due at the end of the fiscal year. Deferred revenue includes the balance of the property tax levy that does not meet the accrual criteria. Property tax receivable and deferred revenue at June 30, 2006, are \$20,416 and \$33,090 respectively.

NOTE 7: **Capital Assets**

A summary of business-type activities property, plant and equipment at June 30, 2006 follows:

	Enterprise				Total
	Water	Wastewater	Sanitation	Golf Course	
Land	\$ -	\$ -	\$ -	\$283,000	\$ 283,000
Building & Improvements	-	47,610,937	167,092	531,611	48,309,640
Machinery & Equipment	1,036,504	1,129,683	5,091,501	660,944	7,918,632
Total Capital Assets	1,036,504	48,740,620	5,258,593	1,475,555	56,511,272
Less: accumulated depreciation	(239,665)	(9,032,133)	(3,108,672)	(914,101)	(13,294,571)
Net Capital Assets	\$ 796,839	\$39,708,487	\$2,149,921	\$561,454	\$ 43,216,701

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 7: **Capital Assets** (continued)

Business-type capital assets changes in Accumulated Depreciation by class:

	Balance June 30, 2005	Additions	Disposals	Balance June 30, 2006
Buildings	\$ 101,806	\$ 3,142	\$ -	\$ 104,948
Improvements	7,854,205	1,065,591	-	8,919,796
Machinery & equipment	3,840,030	534,155	(104,358)	4,269,827
Total Accumulated Depreciation	\$11,796,041	\$1,602,888	\$(104,358)	\$13,294,571

A summary of changes in governmental activities capital assets follows:

	Balance June 30, 2005	Adjustments & Additions	Adjustments & Disposals	Balance June 30, 2006
Land & construction in progress	\$ 9,248,217	\$ 152,420	\$ (2,841,187)	\$ 6,559,450
Buildings	10,688,588	2,996,600	-	13,685,188
Improvements	30,727,831	47,525,691	-	78,253,522
Heavy machinery & equipment	1,407,992	33,809	-	1,441,801
Operational equipment	4,682,137	757,496	-	5,439,633
Vehicles	5,308,834	709,513	(278,661)	5,739,686
Total General Capital Assets	\$62,063,599	\$52,175,529	\$(3,119,848)	\$111,119,280

Less Accumulated Depreciation for:

Buildings	\$ 4,648,375	\$ 535,015	\$ -	\$ 5,183,390
Improvements	7,412,507	2,799,440	-	10,211,947
Heavy machinery & equipment	770,698	105,690	-	876,388
Operational equipment	3,507,399	301,034	-	3,808,433
Vehicles	3,493,490	486,253	(268,575)	3,711,168
Total Accumulated Depreciation	19,832,469	4,227,432	(268,575)	23,791,326
Total General Capital Assets	\$42,231,130	\$47,948,097	\$(2,851,273)	\$87,327,954

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 7: **Capital Assets** (continued)

The City had additions to contributed capital assets during the fiscal year 2005-2006. The Governmental Activities Capital Assets include a total of \$43,225,896 in contributed capital assets received in fiscal year 2005-2006.

Depreciation Expense was charged to the functions/programs of the government as follows:

Governmental Activities:

General Government	\$ 52,077
Public Safety	542,500
Streets/Transportation	2,380,889
Public Works	121,871
Culture and Recreation	531,280
Economic Development	582,026
Internal Service	16,789
Total Depreciation Expense - Governmental Activities	\$4,227,432

Business-type Activities:

Water	\$ 55,121
Wastewater	1,073,068
Sanitation	433,529
Golf Course	41,170
Total Depreciation Expense - Business-type Activities	\$1,602,888

NOTE 8: **Retirement and Pension Plans**

All full-time City employees are covered by one of two contributory retirement and pension plans, which are administered by the State of Arizona under State Statute. Part-time firefighters participate in the Casa Grande Part-time Firemen's Pension Plan. The following summarizes each plan.

(A) **Arizona State Retirement Plan**

Plan Description. The Arizona State Retirement System (ASRS) administers a cost sharing multiple-employer defined benefit pension plan that covers general employees of the City. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. ASRS issues a publicly available report that includes financial statements and required supplementary information. The report may be obtained in writing at ASRS, 3300 N. Central Avenue, P.O. Box 33910, Phoenix, Arizona 85067-3910 or by calling 602-240-2200 or 1-800-621-3778.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 8: **Retirement and Pension Plans** (continued)

(A) Arizona State Retirement Plan (continued)

Funding Policy. The Arizona State Legislature has the authority to establish and amend benefits provisions and contributions for active plan members. For the year ended June 30, 2006, active ASRS members and the City were each required by statute to contribute at the actuarially determined rate of 7.4 percent (6.9 percent retirement and 0.5 percent long-term disability) of the members' annual covered payroll. The City's contributions to ASRS for the years ended June 30, 2006, 2005 and 2004 were \$717,228, \$529,908, and \$455,951, respectively, which were equal to the required contributions for those years. Prior years rates are 5.7% for 2005 and 5.7% for 2004.

(B) Arizona Public Safety Personnel Retirement System

Plan Description. The Public Safety Personnel Retirement System (PSPRS) is an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and 167 local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The City contributes to one PSPRS plan for police and one for fire fighters. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. PSPRS issues a publicly available report that includes financial statements and required supplementary information. The report may be obtained in writing at PSPRS, 1020 E. Missouri Avenue, Phoenix, Arizona 85014.

Funding Policy - The Arizona State Legislature has the authority to establish and amend benefits provisions and contributions for active plan members. For the year ended June 30, 2005 active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the City was required to contribute at the actuarially determined rate of 14.25 percent for police and 13.05 percent for fire. The City contributed the required amount.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 8: **Retirement and Pension Plans** (continued)

(B) Arizona Public Safety Personnel Retirement System (continued)

Annual Pension Cost - The City's pension cost for the year ended June 30, 2005, the date of the most recent actuarial valuation, and related information follow.

Contribution rates:	PSPRS - Police	PSPRS - Fire
City	14.25%	13.05%
Plan members	7.65%	7.65%
Annual pension cost	397,049	253,646
Contributions made	397,049	253,646
Actuarial valuation date	June 30, 2005	June 30, 2005
Actuarial cost method	Entry Age	Entry Age
Actuarial assumptions:		
Investment rate of return	8.50%	8.50%
Projected salary increases	6.0% - 9.0%	6.0% - 9.0%
Includes inflation at cost-of-living adjustments	5.0%	5.0%
Amortization method	Level Percentage	Level Percentage
	Open	Open
Remaining amortization period from 7/1/00	Open 20 Years	Open 20 Years
Asset valuation method	Smoothed Market	Smoothed Market
Post retirement benefit increases	Based on	Based on
	Income	Income

Trend Information - Information of the PSPRS plan as of the most recent actuarial valuation follows:

Plan	Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
PSPRS - Police	2005	\$397,049	100%	-
	2004	343,162	100%	-
	2003	220,533	100%	-
PSPRS - Fire	2005	\$253,646	100%	-
	2004	206,291	100%	-
	2003	114,978	100%	-

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 8: **Retirement and Pension Plans** (continued)

(B) Arizona Public Safety Personnel Retirement System (continued)

Required Supplementary Information (unaudited)

Schedule of Funding progress - An analysis of funding progress for each of the plans as of the most recent actuarial valuations, June 30, 2005, follows:

PSPR - Police

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funding Liability (Excess)	Funded Ratio	Annual Covered Payroll	Unfunded Liability as Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]
6/30/05	\$13,126,047	\$18,198,459	\$5,072,412	72.1%	\$3,481,906	145.7%
6/30/04	12,673,016	15,091,351	2,418,335	83.9%	3,098,436	78.1%
6/30/03	12,533,116	13,648,927	1,115,811	91.8%	2,858,725	39.0%

PSPR – Fire

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funding Liability (Excess)	Funded Ratio	Annual Covered Payroll	Unfunded Liability as Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]
6/30/05	\$7,585,122	\$10,213,654	\$2,628,532	74.3%	\$2,231,531	117.8%
6/30/04	7,283,798	8,640,456	1,356,658	84.3%	1,959,300	69.2%
6/30/03	7,366,941	8,024,641	657,700	91.8%	1,825,058	36.0%

(C) Casa Grande Part-time Firemen’s Pension Plan

The Casa Grande Part-time Firemen’s Pension Plan is a single-employer defined contribution plan, which was approved by the City Council on August 21, 1989, under Arizona Revised Statutes Section 9-981. The authority to establish and amend benefit provisions rests with the City Council. In December 1999, the council revised the pension and benefit program for the part-time firefighters. Of the City’s total payroll of \$16,936,884 for the year ended June 30, 2006, \$31,680 was covered by this plan.

City Council establishes the required contribution for part-time firefighters along with the City’s match. Firefighters are required to contribute at least 5% of gross compensation with the City matching 5%. During the fiscal year, the employees contributed \$1,584 (5%), and the City contributed \$1,584 (5%), totaling \$3,168. The City discontinued using part-time firefighters as of December 31, 2005.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 8: **Retirement and Pension Plans** (continued)

(C) Casa Grande Part-time Firemen's Pension Plan (continued)

Previous trend information is shown below:

<u>Part-time Firemen</u>		
Fiscal Year June 30,	Annual Pension Cost	Percent Contributed
2003	\$6,387	100.0%
2004	7,117	100.0%
2005	1,584	100.0%

The assets of the plan are valued annually and the earnings or loss is distributed among the participant's accounts in the plan. The only expenditures being made from this fund are administration fees, retirement payments, and refunds to those firefighters who leave the service of the Fire Department before becoming eligible for pension benefits. The cost of administering the plan is financed from investment earnings. Retirement with full benefits can be at age fifty-five (55) or twenty years of credited service. This plan was fully vested as of June 30, 2005. As of June 30, 2006, there were 21 eligible employees participating in the plan. The plan is administered by The Innes Associates.

As of June 30, 2006, the plan's assets consisted of the following:

Cash	\$ 5,914
Money Market Funds	7,377
Mutual Funds	757,723
State Treasury Pool	1,609
Total Assets	\$772,623

The plan has never had an actuarial valuation; however, benefits cannot exceed plan assets. The market values of mutual funds are determined from readily available market quotations.

The fund uses the accrual basis of accounting. Contributions are recognized when earned; benefits and refunds are expensed when incurred.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 9: **Risk Management**

The City is exposed to various risks of loss, related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's liability risks are covered through membership in the Arizona Municipal Risk Retention Pool. The City is responsible for the first \$10,000 of all insured claims inclusive of all loss adjustment expenses. Settled claims from these risks have not exceeded insurance coverage for the past five years. The City has \$2 million general liability coverage with \$10,000 deductible and a \$10 million umbrella liability policy.

The City continues to carry commercial insurance for all other risks of loss, including workers' compensation, employee health and accident, airport activities and fuel use bond. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past four fiscal years.

NOTE 10: **Capital Leases**

Leases at June 30, 2006, included the following:

Governmental activities:

Lease with option to purchase Public Works Facility. Quarterly installments of \$82,605 including interest of 4.887%, due through May 9, 2020.	\$3,337,437
Lease with option to purchase 6 police vehicles. Quarterly installments of \$12,821 including interest of 3.789%, due through August 20, 2006.	12,700
Lease with option to purchase 2 fuel trucks (\$58,576 Airport) and 1 street sweeper (\$67,591 Streets). Quarterly installments of \$8,189 including interest of 4.461%, due through August 20, 2010.	126,167
Lease with option to purchase Airport T-hangers. Quarterly installments of \$22,944 including interest of 5.081%, due through August 20, 2013.	<u>553,676</u>

Total Governmental Activities Capital Lease Obligation	<u>\$4,029,980</u>
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(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 10: Capital Leases (continued)

Business-Type Activities:

Sanitation:

Lease with option to purchase Tractor and Compactor. Quarterly installments of \$24,795, including interest at 3.685%, due through September 3, 2009.	\$302,467
Lease with option to purchase a garbage truck. Monthly installments of \$6,868, including interest at 4.461%, due through August 20, 2010.	<u>105,824</u>
Total Sanitation	<u>408,291</u>
Total Business-type Activities Capital Lease Obligation	<u>408,291</u>
Total Long-Term Lease Payable	<u>\$4,438,271</u>

The future minimum lease payments by year are:

Fiscal Year Ending June 30,	Governmental Activities	Business-type Activities	Total
2007	\$ 467,771	\$126,651	\$594,422
2008	454,950	126,651	581,601
2009	454,950	126,651	581,601
2010	454,950	52,267	507,217
2011	430,385	6,869	437,254
2012-2016	1,858,595	-	1,858,595
2017-2020	1,321,675	-	1,321,675
<hr/>			
Total minimum lease payments	5,443,276	439,089	5,882,365
Less: amount representing interest	<u>(1,413,296)</u>	<u>(30,798)</u>	<u>(1,444,094)</u>
Present value of future minimum lease payments	4,029,980	408,291	4,438,271
Less: current portion	<u>(275,792)</u>	<u>(112,392)</u>	<u>(388,184)</u>
Noncurrent portion	<u>\$3,754,188</u>	<u>\$295,899</u>	<u>\$4,050,087</u>

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 10: **Capital Leases** (continued)

Leased Capital Assets

The following is an analysis of the leased assets included in capital assets:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Balance</u>
Building and Improvements:			
Governmental Activities Assets	\$3,678,007	\$(132,585)	\$3,545,422
Total Building and Improvement	<u>3,678,007</u>	<u>(132,585)</u>	<u>3,545,422</u>
 Machinery and Equipment			
Governmental Activities Assets	369,124	(183,412)	185,712
Business-type Activities Assets:			
Sanitation	<u>743,265</u>	<u>(190,162)</u>	<u>553,103</u>
Total Machinery and Equipment	<u>1,112,389</u>	<u>(373,574)</u>	<u>738,815</u>
Total Leased Capital Assets	<u><u>\$4,790,396</u></u>	<u><u>\$(506,159)</u></u>	<u><u>\$4,284,237</u></u>

A portion of the Public Works Facility lease (\$905,198) has not been spent and will be used for building improvements.

NOTE 11: **Bond Debt**

A summary of long-term bond debt transactions for the year ended June 30, 2006, follows:

Governmental Activities	Balance July 1, 2005	Issued	Retired	Balance June 30, 2006
General obligation bonds	\$1,335,000	\$ -	\$ -	\$1,335,000
Special assessment bonds	<u>585,000</u>	<u>-</u>	<u>(105,000)</u>	<u>480,000</u>
Total Bonds Outstanding	<u><u>\$1,920,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$(105,000)</u></u>	<u><u>\$1,815,000</u></u>

Summarization of the long-term bond debt payable at June 30, 2006, follows:

Bond Description	Original Issue Amount	Amount of Installment	Interest Rate	Date of Final Payment	Balance June 30, 2006
General obligation	\$1,335,000	\$35,000 – 105,000	5.10% - 5.80%	07/15/29	\$1,335,000
Special Assessment: ID #38	1,030,000	75,000 - 130,000	5.40%	01/01/10	<u>480,000</u>
Total Bonds Outstanding					<u><u>\$1,815,000</u></u>

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 11: **Bond Debt** (continued)

The following table summarizes the City's future bond debt service requirements as of June 30, 2006:

Year Ending June 30,	General Obligation Bonds (1)		Special Assessment Fund (2)		Total	
	Bonds	Interest	Bonds	Interest	Bonds	Interest
2007	-	\$73,932	\$110,000	\$25,920	\$110,000	\$99,852
2008	-	73,932	115,000	19,980	115,000	93,912
2009	-	73,932	125,000	13,770	125,000	87,702
2010	35,000	73,040	130,000	7,020	165,000	80,060
2011	40,000	71,128	-	-	40,000	71,128
2012-2016	220,000	323,764	-	-	220,000	323,764
2017-2021	285,000	257,515	-	-	285,000	257,515
2022-2026	375,000	166,567	-	-	375,000	166,567
2027-2030	380,000	46,110	-	-	380,000	46,110
	<u>\$1,335,000</u>	<u>\$1,159,920</u>	<u>\$480,000</u>	<u>\$66,690</u>	<u>\$1,815,000</u>	<u>\$1,226,610</u>

1) Community Facilities Districts (CFDs), special purpose districts created specifically to acquire or construct public infrastructure within specified areas of the City, are authorized under state law to issue General Obligation (GO) bonds to be repaid by property taxes levied on property within the district. CFDs are created by petition to the City Council by property owners within the area to be covered by the district and debt may be issued only after approval of the voters within the district.

In April 2005 the Mission Royale Community Facilities District issued \$1,335,000 of General Obligation bonds to finance the construction of a sewer line. These bonds will be repaid by the property owners within Mission Royale CFD. The bonds are obligations of the district only. The City has no obligation for the debt other than the administration of the collection of the property taxes and payment of the debt service on behalf of Mission Royale. Principal payments on the bond begin in July, 2009.

2) The Special Assessment Bonds are secured and payable from special assessments levied against the real property benefited by said improvements. If the assessments are not paid, the properties subject to such assessments are sold at auction. If there is no purchaser for any property offered for sale, the City will get ownership of the property subject to any tax liens and will be liable for the remaining debt. The City Council is required to appropriate from the General Fund of the City the amount of the total unpaid assessments or the amount of each semiannual assessment until the total debt is paid.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 12: **Excise Tax Revenue Obligations**

In October 1997, the City issued \$3,590,000 of Excise Tax Revenue Obligations Series 1997 to finance the restoration of a 1921 vintage school building for use as a new City Hall. The 20-year revenue obligations have interest rates that range from 4.80 to 6.00 percent. Principal payments ranging from \$110,000 to \$290,000 are paid annually with interest paid semiannually on April 1, and October 1.

In April 1999, the City issued \$5,000,000 of Excise Tax Revenue Obligations Series 1999 to finance the acquisition, construction and equipping of two public recreational complexes and improvements to existing recreational facilities. The 15-year revenue obligations have interest rates that range from 4.40 to 4.80 percent. Principal payments ranging from \$200,000 to \$410,000 are paid annually with interest paid semiannually on April 1, and October 1.

On December 1, 2003, the City issued \$18,120,000 of Excise Tax Revenue Obligations Series 2003. The 20-year revenue obligations have interest rates that range from 2.00 to 5.00 percent. Principal payments ranging from \$780,000 to \$1,600,000 are paid annually on April 1.

\$9,300,000 was used to finance the construction of a wastewater treatment plant. \$8,820,000 was used to advance refund \$4,560,000 of Series 1994 and \$3,830,000 of Series 1995 Excise Tax Revenue Obligations with interest rates ranging from 4.35 to 6.00 and 5.00 to 6.20 percent, respectively.

The net proceeds of \$8,806,159 (after payment of \$447,866 in underwriting fees, insurance and other issuance costs and receipt of \$434,025 in premium) were used to purchase U.S. government securities.

Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service on the 1994 and 1995 obligations. As a result, the 1994 and 1995 obligations referred to above are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets. There was no outstanding balance on these bonds as of June 30, 2005. The advance refunding resulted in a difference of \$423,720 between the reacquisition price and the net carrying amount of the old debt. This difference is being charged to operations through the year 2015 using the straight-line amortization method.

The 1997, 1999, and 2003 revenue obligations are secured by a pledge of and first lien on all excise, transaction, franchise, privilege and business taxes, state shared sales and income taxes, fees for licenses and permits and state revenue sharing which the City presently or in the future validly imposes or receives from other entities.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 12: **Excise Tax Revenue Obligations** (continued)

The following table summarizes the City's future revenue obligation debt service requirements as of June 30, 2006:

Year Ending June 30,	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 496,455	\$ 340,997	\$ 523,545	\$ 646,635	\$ 1,020,000	\$ 987,632
2008	522,270	316,311	532,730	633,546	1,055,000	949,857
2009	543,900	292,501	551,100	618,896	1,095,000	911,397
2010	565,530	267,979	569,470	602,363	1,135,000	870,342
2011	596,753	242,676	583,248	583,856	1,180,001	826,532
2012-2016	3,415,956	772,174	3,279,046	2,563,946	6,695,002	3,336,120
2017-2021	946,892	150,792	7,403,138	1,529,488	8,350,030	1,680,280
2022	130,187	6,520	1,469,600	73,480	1,599,787	80,000
	<u>\$7,217,943</u>	<u>\$2,389,950</u>	<u>\$14,911,877</u>	<u>\$7,252,210</u>	<u>\$22,129,820</u>	<u>\$9,642,160</u>

NOTE 13: **Changes in Long-Term Obligations**

Governmental Activities:	Balance	Obligations	Obligations	Balance	Amounts
	July 1, 2005	Incurred	Paid	June 30, 2006	Due Within One Year
Compensated absences	\$ 632,662	\$ 877,409	\$ (805,388)	\$ 704,683	\$ 704,683
Bonds payable	1,920,000	-	(105,000)	1,815,000	110,000
Excise tax revenue obligations	7,688,583	-	(470,640)	7,217,943	496,455
Capital leases	4,485,933	-	(455,953)	4,029,980	275,792
Total Governmental Activities	<u>\$14,727,178</u>	<u>\$877,409</u>	<u>\$(1,836,981)</u>	<u>\$13,767,606</u>	<u>\$1,586,930</u>

Business-type Activities:	Balance	Additions	Reductions	Balance	Amounts
	July 1, 2005			June 30, 2006	Due Within One Year
Compensated absences	\$ 85,073	\$116,571	\$(105,297)	\$ 96,347	\$96,347
Capital leases	593,795	-	(185,504)	408,291	112,392
Excise tax revenue obligations	15,426,237	-	(514,360)	14,911,877	523,545
Notes payable (1)	177,300	-	(9,231)	168,069	9,549
Total Business-type Activities	<u>\$16,282,405</u>	<u>\$116,571</u>	<u>\$(814,392)</u>	<u>\$15,584,584</u>	<u>\$741,833</u>

(1) In January, 2002 the Water Fund received financing from the Water Infrastructure Finance Authority of Arizona. The note is paid semi-annually until July 2019 with an interest rate of 3.437%.

Long-term compensated absences of governmental activities are expected to be liquidated by the operating funds (primarily the General Fund) as they become due.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 14: **Long-Term Debt**

The following summarizes the annual debt service requirements to maturity for all long-term debt excluding compensated absences, including interest of \$12,356,460:

Year Ending June 30,	Governmental <u>Activities</u>		Business-type <u>Activities</u>		Total Principal
	Principal	Interest	Principal	Interest	
2007	\$ 882,247	\$ 632,827	\$ 645,486	\$ 666,506	\$ 1,527,733
2008	913,454	588,989	659,383	648,699	1,572,837
2009	958,827	545,225	682,649	629,147	1,641,476
2010	1,034,886	498,633	631,034	608,210	1,665,920
2011	931,417	449,525	600,971	588,138	1,532,388
2012-2016	5,030,915	1,559,575	3,339,610	2,578,976	8,370,525
2017-2021	2,425,989	535,887	7,459,504	1,533,446	9,885,493
2022-2026	505,188	173,087	1,469,600	73,480	1,974,788
2027-2030	380,000	46,110	-	-	380,000
	<u>\$13,062,923</u>	<u>\$5,029,858</u>	<u>\$15,488,237</u>	<u>\$7,326,602</u>	<u>\$28,551,160</u>

NOTE 15: **Landfill Closure and Postclosure Care Costs**

The U.S. Environmental Protection Agency and the Arizona Department of Environmental Quality require municipal solid waste landfill (MSWLF) owners and operators to provide for landfill closure and postclosure care costs. The City of Casa Grande owns and operates one landfill. Closure and postclosure care costs include cost of equipment expected to be installed and facilities expected to be constructed, cost of final cover and cost of monitoring and maintaining the expected useable MSWLF area. These costs are expected to be paid near or after the date that the MSWLF stops accepting solid waste and during the postclosure period. The Environmental Protection Agency has established the postclosure period to be 30 years. Closure and postclosure care costs are recognized in the current period based on landfill capacity used to date. On June 30, 2006 the City has reported a \$1,624,796 landfill closure and postclosure care liability that represents the total current cost based on 39.90 percent of estimated capacity of the landfill.

The remaining cost of \$2,447,806 will be recognized in the future periods as the remaining capacity is filled. The City expects the remaining capacity to extend for 25 years, which will be through the year 2030. Total closure and postclosure costs are based on current costs, and are reevaluated annually for changes in inflation or deflation, technology, and applicable laws or regulations. The 2006 valuation of the total closure and postclosure costs were estimated to be \$4,072,602.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 16: **Summary of Interfund Transactions**

Interfund transactions as of June 30, 2006, were as follows:
Interfund Receivable/Payable:

Fund	Receivable Amount	Payable Amount
General	\$285,000	\$ -
Special Revenue Fund:		
Self-help technical assist.	-	65,000
Home/HUD	-	160,000
Enterprise Fund - Golf Course	-	60,000
Total	<u>\$285,000</u>	<u>\$285,000</u>

The interfund balances at June 30, 2006 are short-term loans to cover temporary cash deficits in various funds.

Transfers:

Fund	Transfers Out	Transfers In
Governmental Funds:		
General	\$3,938,942	\$1,690,500
Highway Users	515,800	-
Grants	-	64,560
System Development	505,583	-
Capital Replacement	-	3,353,400
Other Non-major Governmental	414,509	699,974
Total Governmental Funds	<u>5,374,834</u>	<u>5,808,434</u>
Enterprise Funds:		
Water	21,900	-
Golf Course	93,000	400,600
Wastewater	153,300	-
Sanitation	481,600	-
Total Enterprise Funds	<u>749,800</u>	<u>400,600</u>
Internal Service Fund	84,400	-
Grand Totals	<u>\$6,209,034</u>	<u>\$6,209,034</u>

There were no significant transfers during fiscal year 2006 that were either non-routine in nature or inconsistent with the activities of the fund making the transfer.



COMBINING STATEMENTS

City of Casa Grande
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2006

	Special Revenue					
	Municipal Airport	Parks Develop.	Community Arts	Redevelop- ment	Promotion & Tourism	Court Enhancement
ASSETS						
Cash	\$ 11,613	\$ 1,788	\$ 15,016	\$ 2,300	\$ 24,701	\$ 3,321
Investments	233,427	91,041	484	1,536,207	10,392	256,170
Receivables (less allowance for uncollectibles)	112,336	550	3	9,243	19,265	1,525
Due from other governments	-	-	-	-	-	-
Fuel Inventory	45,396	-	-	-	-	-
Total assets	\$ 402,772	\$ 93,379	\$ 15,503	\$ 1,547,750	\$ 54,358	\$ 261,016
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and other current liabilities	\$ 36,240	\$ 174	\$ -	\$ 159	\$ -	\$ -
Accrued wages and benefits	2,082	-	-	-	-	-
Total liabilities	38,322	174	-	159	-	-
Fund balances:						
Reserved for:						
Special revenue	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Unreserved, reported in:						
Special revenue funds	364,450	93,205	15,503	1,547,591	54,358	261,016
Capital projects funds	-	-	-	-	-	-
Total fund balances	364,450	93,205	15,503	1,547,591	54,358	261,016
Total liabilities and fund balance	\$ 402,772	\$ 93,379	\$ 15,503	\$ 1,547,750	\$ 54,358	\$ 261,016

Special Revenue		Debt Service		Capital Projects		Total Nonmajor Governmental Funds
Housing Programs	Public Safety Programs	Redevelopment	Recreation	Recreation Improvement	Airport Improvement	
\$ 58,070	\$ 2,812	\$ 107	\$ 140,845	\$ 1,156	\$ 173,413	\$ 435,142
232,388	22,942	-	1,198,773	-	-	3,581,824
1,387	849	-	142,484	-	-	287,642
-	-	-	-	-	58,083	58,083
-	-	-	-	-	-	45,396
\$ 291,845	\$ 26,603	\$ 107	\$ 1,482,102	\$ 1,156	\$ 231,496	\$ 4,408,087
\$ 125	\$ 405	\$ -	\$ -	\$ -	\$ 33,430	\$ 70,533
-	-	-	-	-	-	2,082
125	405	-	-	-	33,430	72,615
-	26,198	-	-	-	-	26,198
-	-	107	1,482,102	-	-	1,482,209
291,720	-	-	-	-	-	2,627,843
-	-	-	-	1,156	198,066	199,222
291,720	26,198	107	1,482,102	1,156	198,066	4,335,472
\$ 291,845	\$ 26,603	\$ 107	\$ 1,482,102	\$ 1,156	\$ 231,496	\$ 4,408,087

City of Casa Grande
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2006

	Special Revenue					
	Municipal Airport	Parks Develop.	Community Arts	Redevelop- ment	Promotion & Tourism	Court Enhancement
REVENUES						
Taxes:						
Property taxes	\$ -	\$ -	\$ -	\$ 335,369	\$ -	\$ -
Sales Tax	-	-	-	-	111,117	-
Intergovernmental revenues	-	-	-	-	-	8,003
Charges for services	-	-	-	-	-	46,073
Investment earnings	17,303	3,068	14	60,901	583	8,580
Rental and sale of city property	830,130	-	-	90,741	-	-
Miscellaneous	692,683	49,633	-	-	-	-
Total revenues	1,540,116	52,701	14	487,011	111,700	62,656
EXPENDITURES						
Current:						
General government	908,034	-	-	-	100,000	-
Public safety	-	-	-	-	-	31,332
Culture and recreation	-	14,988	4,465	-	-	-
Economic development	-	-	-	415,989	-	-
Capital outlay	-	-	-	-	-	-
Debt Service:						
Principal	73,922	-	-	-	-	-
Interest and fiscal charges	33,062	-	-	-	-	-
Total expenditures	1,015,018	14,988	4,465	415,989	100,000	31,332
Excess (deficiency) of revenues over (under) expenditures	525,098	37,713	(4,451)	71,022	11,700	31,324
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	18,965	-	-	-
Transfers out	(414,509)	-	-	-	-	-
Total other financing sources and uses	(414,509)	-	18,965	-	-	-
Net change in fund balances	110,589	37,713	14,514	71,022	11,700	31,324
Fund balances - beginning of year	253,861	55,492	989	1,476,569	42,658	229,692
Fund balances - end of year	\$ 364,450	\$ 93,205	\$ 15,503	\$ 1,547,591	\$ 54,358	\$ 261,016

Special Revenue		Debt Service		Capital Projects		Total Nonmajor Governmental Funds
Housing Programs	Public Safety Programs	Redevelopment	Recreation	Recreation Improvement	Airport Improvement	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 335,369
-	-	-	776,900	-	-	888,017
166,753	-	-	-	-	253,335	428,091
51,252	-	-	-	-	-	97,325
6,175	914	-	42,787	-	-	140,325
-	-	-	-	-	-	920,871
-	15,323	-	-	-	-	757,639
224,180	16,237	-	819,687	-	253,335	3,567,637
-	-	-	-	-	-	1,008,034
-	16,377	-	-	-	-	47,709
-	-	-	-	-	-	19,453
174,024	-	2,700	-	-	-	592,713
-	-	-	-	-	429,778	429,778
-	-	165,000	260,000	-	-	498,922
-	-	138,693	166,848	-	-	338,603
174,024	16,377	306,393	426,848	-	429,778	2,935,212
50,156	(140)	(306,393)	392,839	-	(176,443)	632,425
-	-	306,500	-	-	374,509	699,974
-	-	-	-	-	-	(414,509)
-	-	306,500	-	-	374,509	285,465
50,156	(140)	107	392,839	-	198,066	917,890
241,564	26,338	-	1,089,263	1,156	-	3,417,582
\$ 291,720	\$ 26,198	\$ 107	\$ 1,482,102	\$ 1,156	\$ 198,066	\$ 4,335,472

City of Casa Grande
Combining Statement of Fiduciary Net Assets
All Agency Funds
June 30, 2006

	Performance Bond Fund	Flexible Spending Plan Fund	Total
ASSETS			
Cash	\$ -	\$ 15,631	\$ 15,631
Interest receivable	2,958	-	2,958
Investments, at fair value	509,145	-	509,145
Total assets	512,103	15,631	527,734
LIABILITIES			
Other liabilities	512,103	15,631	527,734
Total liabilities	512,103	15,631	527,734
NET ASSETS			
Held in trust for other purposes	\$ -	\$ -	\$ -

City of Casa Grande
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the Year Ended June 30, 2006

	Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006
Performance Bond Fund				
Assets:				
Cash	\$ -	\$ -	\$ -	\$ -
Investments	471,459	37,686	-	509,145
Interest Receivable	1,916	1,042	-	2,958
Total Assets	<u>473,375</u>	<u>38,728</u>	<u>-</u>	<u>512,103</u>
Liabilities:				
Other Liabilities	473,273	38,493	-	511,766
Accounts Payable	102	235	-	337
	<u>473,375</u>	<u>38,728</u>	<u>-</u>	<u>512,103</u>
Flexible Spending Plan Fund				
Assets:				
Cash	13,687	49,109	(47,165)	15,631
Total Assets	<u>13,687</u>	<u>49,109</u>	<u>(47,165)</u>	<u>15,631</u>
Liabilities:				
Other Liabilities	13,687	1,944	-	15,631
	<u>13,687</u>	<u>1,944</u>	<u>-</u>	<u>15,631</u>
Totals - All Agency Funds				
Assets:				
Cash	13,687	49,109	(47,165)	15,631
Investments	471,459	37,686	-	509,145
Interest Receivable	1,916	1,042	-	2,958
Total Assets	<u>487,062</u>	<u>87,837</u>	<u>(47,165)</u>	<u>527,734</u>
Liabilities:				
Other Liabilities	486,960	40,437	-	527,397
Accounts Payable	102	235	-	337
Total Liabilities	<u>\$ 487,062</u>	<u>\$ 40,672</u>	<u>\$ -</u>	<u>\$ 527,734</u>





OTHER SUPPLEMENTARY INFORMATION

City of Casa Grande
Special Assessments Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Special assessments	\$ 140,200	\$ 140,200	\$ 354,840	\$ 214,640
Investment earnings	2,000	2,000	42,916	40,916
Total revenues	142,200	142,200	397,756	255,556
EXPENDITURES				
Current:				
Contractual services	5,200	5,200	1,386	3,814
Debt Service				
Principal retirement	105,000	105,000	105,000	-
Interest	32,000	32,000	31,590	410
Total expenditures	142,200	142,200	137,976	4,224
Excess (deficiency) of revenues over (under) expenditures	-	-	259,780	259,780
Fund balance - beginning of year	-	-	977,768	977,768
Fund balance - end of year	\$ -	\$ -	\$ 1,237,548	\$ 1,237,548

City of Casa Grande
Capital Replacement/Development Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment earnings	\$ -	\$ -	\$ 139,944	\$ 139,944
Sale of City property	-	-	36,650	36,650
Total revenues	<u>-</u>	<u>-</u>	<u>176,594</u>	<u>139,944</u>
EXPENDITURES				
Materials and supplies	-	6,700	6,636	64
Capital outlay	8,307,300	6,246,000	835,543	5,410,457
Total expenditures	<u>8,307,300</u>	<u>6,252,700</u>	<u>842,179</u>	<u>5,410,521</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,307,300)</u>	<u>(6,252,700)</u>	<u>(665,585)</u>	<u>5,550,465</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,687,300	2,687,300	3,353,400	666,100
Proceeds from obligations	5,500,000	5,500,000	-	(5,500,000)
Total other financing sources and uses	<u>8,187,300</u>	<u>8,187,300</u>	<u>3,353,400</u>	<u>(4,833,900)</u>
Net change in fund balance	<u>(120,000)</u>	<u>1,934,600</u>	<u>2,687,815</u>	<u>753,215</u>
Fund balance - beginning of year	<u>120,000</u>	<u>(1,934,600)</u>	<u>2,478,110</u>	<u>4,412,710</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,165,925</u>	<u>\$ 5,165,925</u>

City of Casa Grande
Community Facilities Districts - Capital Projects
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget- Positive (Negative)
REVENUES				
Property Tax	\$ 12,000	\$ 12,000	\$ 14,864	\$ 2,864
Developer Contribution	2,663,900	2,663,900	73,809	(2,590,091)
Investment Earnings	-	-	12,206	12,206
Total revenues	<u>2,675,900</u>	<u>2,675,900</u>	<u>100,879</u>	<u>(2,575,021)</u>
EXPENDITURES				
Contractual services	12,000	12,000	33	11,967
Capital outlay	34,000,000	34,000,000	2,790,240	31,209,760
Debt Service	-	-	52,780	(52,780)
Total expenditures	<u>34,012,000</u>	<u>34,012,000</u>	<u>2,843,053</u>	<u>31,168,947</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(31,336,100)</u>	<u>(31,336,100)</u>	<u>(2,742,174)</u>	<u>28,593,926</u>
OTHER FINANCING SOURCES (USES)				
General obligation bonds	30,000,000	30,000,000	-	(30,000,000)
Total other financing sources and uses	<u>30,000,000</u>	<u>30,000,000</u>	<u>-</u>	<u>(30,000,000)</u>
Net change in fund balance	<u>(1,336,100)</u>	<u>(1,336,100)</u>	<u>(2,742,174)</u>	<u>(1,406,074)</u>
Fund balance - beginning of year	<u>1,336,100</u>	<u>1,336,100</u>	<u>3,395,832</u>	<u>2,059,732</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 653,658</u>	<u>\$ 653,658</u>

City of Casa Grande
Municipal Airport Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Investment earnings	\$ 200	\$ 200	\$ 17,303	\$ 17,103
Rental and sale of city property	552,000	552,000	830,130	278,130
Miscellaneous	-	508,000	692,683	184,683
Total revenues	552,200	1,060,200	1,540,116	479,916
EXPENDITURES				
Current:				
General government:				
Personal services	120,200	146,200	145,971	229
Contractual services	19,600	27,000	26,428	572
Materials and supplies	275,000	755,000	735,635	19,365
Debt service	107,000	107,000	106,984	16
Total expenditures	521,800	1,035,200	1,015,018	20,182
Excess (deficiency) of revenues over (under) expenditures	30,400	25,000	525,098	500,098
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,030,400)	(985,000)	(414,509)	570,491
Proceeds from obligations	1,000,000	1,000,000	-	(1,000,000)
Total other financing sources and uses	(30,400)	15,000	(414,509)	(429,509)
Net change in fund balance	-	40,000	110,589	70,589
Fund balance - beginning of year	-	(40,000)	253,861	293,861
Fund balance - end of year	\$ -	\$ -	\$ 364,450	\$ 364,450

City of Casa Grande
Parks Development Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Investment earnings	\$ 2,200	\$ 2,200	\$ 3,068	\$ 868
Miscellaneous	25,000	25,000	49,633	24,633
Total revenues	27,200	27,200	52,701	25,501
EXPENDITURES				
Current:				
Culture and recreation:				
Contractual services	27,200	27,200	14,988	12,212
Total expenditures	27,200	27,200	14,988	12,212
Excess (deficiency) of revenues over (under) expenditures	-	-	37,713	37,713
Fund balance - beginning of year	-	-	55,492	55,492
Fund balance - end of year	\$ -	\$ -	\$ 93,205	\$ 93,205

City of Casa Grande
Community Arts Reserve Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Investment earnings	\$ -	\$ -	\$ 14	\$ 14
Total revenues	<u>-</u>	<u>-</u>	<u>14</u>	<u>14</u>
EXPENDITURES				
Current:				
Culture and recreation:				
Contractual services	1,500	5,500	4,465	1,035
Capital outlay	20,000	15,000	-	15,000
Total expenditures	<u>21,500</u>	<u>20,500</u>	<u>4,465</u>	<u>16,035</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>(21,500)</u>	<u>(20,500)</u>	<u>(4,451)</u>	<u>16,049</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	5,000	5,000	18,965	13,965
Total other financing sources and uses	<u>5,000</u>	<u>5,000</u>	<u>18,965</u>	<u>13,965</u>
Net change in fund balance	<u>(16,500)</u>	<u>(15,500)</u>	<u>14,514</u>	<u>30,014</u>
Fund balance - beginning of year	<u>16,500</u>	<u>15,500</u>	<u>989</u>	<u>(14,511)</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,503</u>	<u>\$ 15,503</u>

City of Casa Grande
Redevelopment/Downtown Revitalization Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Local taxes	\$ 310,000	\$ 310,000	\$ 335,369	\$ 25,369
Investment earnings	15,000	15,000	60,901	45,901
Rental and sale of city property	75,000	75,000	90,741	15,741
Total revenues	400,000	400,000	487,011	87,011
EXPENDITURES				
Current:				
Economic development:				
Contractual services	112,000	527,000	410,948	116,052
Materials and supplies	7,000	7,000	5,041	1,959
Capital outlay	1,623,600	1,623,600	-	1,623,600
Total expenditures	1,742,600	2,157,600	415,989	1,741,611
Excess (deficiency) of revenues over (under) expenditures	(1,342,600)	(1,757,600)	71,022	1,828,622
Fund balance - beginning of year	1,342,600	1,757,600	1,476,569	(281,031)
Fund balance - end of year	\$ -	\$ -	\$ 1,547,591	\$ 1,547,591

City of Casa Grande
Promotion and Tourism Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local taxes	\$ 85,000	\$ 100,000	\$ 111,117	\$ 11,117
Total revenues	85,000	100,000	111,700	11,700
EXPENDITURES				
Current:				
General government	85,000	100,000	100,000	-
Total expenditures	85,000	100,000	100,000	-
Excess (deficiency) of revenues over (under) expenditures	-	-	11,700	11,700
Fund balance - beginning of year	-	-	42,658	42,658
Fund balance - end of year	\$ -	\$ -	\$ 54,358	\$ 54,358

City of Casa Grande
Court Enhancement/Probationary Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 8,000	\$ 8,000	\$ 14,383	\$ 6,383
Charges for services	45,200	45,200	46,073	873
Investment earnings	2,200	2,200	2,200	-
Total revenues	55,400	55,400	62,656	7,256
EXPENDITURES				
Current:				
Public safety:				
Contractual services	85,000	100,000	31,332	68,668
Capital outlay	200,500	200,500	-	200,500
Total expenditures	285,500	300,500	31,332	269,168
Excess (deficiency) of revenues over (under) expenditures	(230,100)	(245,100)	31,324	276,424
Fund balance - beginning of year	230,100	245,100	229,692	(15,408)
Fund balance - end of year	\$ -	\$ -	\$ 261,016	\$ 261,016

City of Casa Grande
Housing Application and Development Fees Special Revenue Funds
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Charges for service	\$ -	\$ -	\$ 51,252	\$ 51,252
Intergovernmental	500,000	500,000	166,753	(333,247)
Investment earnings	-	-	6,175	6,175
Total revenues	500,000	500,000	224,180	(275,820)
EXPENDITURES				
Current:				
Economic development:				
Personal services	-	43,000	1,164	41,836
Contractual services	500,000	756,000	172,459	583,541
Materials and supplies	-	1,000	401	599
Total expenditures	500,000	800,000	174,024	625,976
Excess (deficiency) of revenues over (under) expenditures	-	(300,000)	50,156	350,156
Fund balance - beginning of year	-	300,000	241,564	(58,436)
Fund balance - end of year	\$ -	\$ -	\$ 291,720	\$ 291,720

City of Casa Grande
Public Safety Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment earnings	\$ 200	\$ 200	\$ 914	\$ 714
Contributions	9,800	16,200	15,323	(877)
Total revenues	10,000	16,400	16,237	(163)
EXPENDITURES				
Current:				
Public safety activities	10,000	16,400	16,377	23
Total expenditures	10,000	16,400	16,377	23
Excess (deficiency) of revenues over (under) expenditures	-	-	(140)	(140)
Fund balance - beginning of year	-	-	26,338	26,338
Fund balance - end of year	\$ -	\$ -	\$ 26,198	\$ 26,198

City of Casa Grande
Redevelopment Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES				
Current:				
Contractual services	2,700	2,700	2,700	-
Debt service:				
Principal	165,000	165,000	165,000	-
Interest and fiscal charges	138,800	138,800	138,693	107
Total expenditures	<u>306,500</u>	<u>306,500</u>	<u>306,393</u>	<u>107</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(306,500)</u>	<u>(306,500)</u>	<u>(306,393)</u>	<u>107</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	306,500	306,500	306,500	-
Total other financing sources and uses	<u>306,500</u>	<u>306,500</u>	<u>306,500</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>107</u>	<u>107</u>
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 107</u></u>	<u><u>\$ 107</u></u>

City of Casa Grande
Recreation Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Local taxes	\$ 433,000	\$ 433,000	\$ 776,900	\$ 343,900
Investment earnings	-	-	42,787	42,787
Total revenues	433,000	433,000	819,687	386,687
EXPENDITURES				
Current:				
Contractual services	6,000	6,000	-	6,000
Debt Service:				
Principal retirement	260,000	260,000	260,000	-
Interest	167,000	167,000	166,848	152
Total expenditures	433,000	433,000	426,848	6,152
Excess (deficiency) of revenues over (under) expenditures	-	-	392,839	392,839
Fund balance - beginning of year	-	-	1,089,263	1,089,263
Fund balance - end of year	\$ -	\$ -	\$ 1,482,102	\$ 1,482,102

City of Casa Grande
Recreation Improvements Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Investment earnings	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Contractual services	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balance - beginning of year	-	-	1,156	1,156
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,156</u>	<u>\$ 1,156</u>

City of Casa Grande
Airport Improvement Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenues	\$ 597,300	\$ 597,300	\$ 253,335	\$ (343,965)
Total revenues	597,300	597,300	253,335	(343,965)
EXPENDITURES				
Capital outlay	1,597,300	1,597,300	429,778	1,167,522
Total expenditures	1,597,300	1,597,300	429,778	1,167,522
Excess (deficiency) of revenues over (under) expenditures	(1,000,000)	(1,000,000)	(176,443)	823,557
OTHER FINANCING SOURCES (USES)				
Transfers in	1,000,000	1,000,000	374,509	(625,491)
Total other financing sources and uses	1,000,000	1,000,000	374,509	(625,491)
Net change in fund balances	-	-	198,066	198,066
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ 198,066	\$ 198,066

City of Casa Grande
Copper Mountain Ranch Water Enterprise Fund
Schedule of Operations - Budget and Actual
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
OPERATING REVENUES:				
Service fees	\$ 206,500	\$ 206,500	\$ 197,834	\$ (8,666)
Total operating revenues	206,500	206,500	197,834	(8,666)
OPERATING EXPENSES:				
Personal services	49,800	49,800	1,600	48,200
Contractual	43,000	38,900	5,602	33,298
Materials and supplies	54,300	54,300	29,948	24,352
Depreciation	160,000	160,000	55,121	104,879
Total operating expenses	307,100	303,000	92,271	210,729
Operating Income	(100,600)	(96,500)	105,563	202,063
NONOPERATING REVENUE (EXPENSES):				
Interest expense	(14,000)	(14,000)	(5,777)	8,223
Total nonoperating revenue (expense)	(14,000)	(14,000)	(5,777)	8,223
Income (loss) before transfers	(114,600)	(110,500)	99,786	210,286
Transfers out	(21,900)	(26,000)	(21,900)	4,100
Net change in net assets	(136,500)	(136,500)	77,886	214,386
Net Assets - beginning of year	136,500	136,500	1,180,150	1,043,650
Net Assets - end of year	\$ -	\$ -	\$ 1,258,036	\$ 1,258,036

City of Casa Grande
Wastewater Enterprise Fund
Schedule of Operations - Budget and Actual
For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
OPERATING REVENUES:				
Service fees	\$ 2,302,000	\$ 2,302,000	\$ 2,497,619	\$ 195,619
Connection fees	95,000	95,000	251,446	156,446
Miscellaneous	5,000	5,000	20,177	15,177
Total operating revenues	<u>2,402,000</u>	<u>2,402,000</u>	<u>2,769,242</u>	<u>367,242</u>
OPERATING EXPENSES:				
Personal services	669,200	669,200	574,444	94,756
Contractual	545,000	528,800	456,815	71,985
Materials and supplies	557,300	662,300	660,351	1,949
Depreciation	820,000	1,075,000	1,073,068	1,932
Total operating expenses	<u>2,591,500</u>	<u>2,935,300</u>	<u>2,764,678</u>	<u>170,622</u>
Operating Income	<u>(189,500)</u>	<u>(533,300)</u>	<u>4,564</u>	<u>537,864</u>
NONOPERATING REVENUE (EXPENSES):				
Interest income	29,000	29,000	233,853	204,853
Interest expense	(1,314,400)	(576,400)	(373,450)	202,950
City sales tax	1,276,700	1,276,700	2,660,843	1,384,143
Total nonoperating revenue (expense)	<u>(8,700)</u>	<u>729,300</u>	<u>2,521,246</u>	<u>1,791,946</u>
Income (loss) before contributions and transfers	<u>(198,200)</u>	<u>196,000</u>	<u>2,525,810</u>	<u>2,329,810</u>
Capital contributions	-	-	7,991,457	7,991,457
Transfers out	(153,300)	(240,500)	(153,300)	87,200
Net change in net assets	<u>(351,500)</u>	<u>(44,500)</u>	<u>10,363,967</u>	<u>10,408,467</u>
Net Assets - beginning of year	<u>351,500</u>	<u>44,500</u>	<u>22,407,861</u>	<u>22,363,361</u>
Net Assets - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,771,828</u>	<u>\$ 32,771,828</u>

City of Casa Grande
Wastewater Development Fees Enterprise Fund
Schedule of Operations - Budget and Actual
For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
OPERATING REVENUES:				
Connection fees	\$ 1,500,000	\$ 948,600	\$ 4,784,736	\$ 3,836,136
Total operating revenues	1,500,000	948,600	4,784,736	3,836,136
OPERATING EXPENSES:				
Depreciation	1,500,000	948,600	-	948,600
Total operating expenses	1,500,000	948,600	-	948,600
Operating Income	-	-	4,784,736	4,784,736
NONOPERATING REVENUE :				
Interest income	-	-	348,685	348,685
Total nonoperating revenue	-	-	348,685	348,685
Net change in net assets	-	-	5,133,421	5,133,421
Net Assets - beginning of year	-	-	6,406,503	6,406,503
Net Assets - end of year	\$ -	\$ -	\$ 11,539,924	\$ 11,539,924

City of Casa Grande
Sanitation Enterprise Fund
Schedule of Operations - Budget and Actual
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
OPERATING REVENUES:				
Service fees	\$ 3,963,000	\$ 3,985,000	\$ 4,222,208	\$ 237,208
Recycling revenue	200,000	200,000	348,919	148,919
Miscellaneous	1,000	1,000	4,845	3,845
Total operating revenues	4,164,000	4,186,000	4,575,972	389,972
OPERATING EXPENSES:				
Personal services	1,855,400	1,815,400	1,813,989	1,411
Contractual	960,600	585,400	578,975	6,425
Materials and supplies	510,500	581,500	573,473	8,027
Depreciation	200,000	434,000	433,529	471
Closure and postclosure costs	220,000	124,000	120,207	3,793
Total operating expenses	3,746,500	3,540,300	3,520,173	20,127
Operating Income	417,500	645,700	1,055,799	410,099
NONOPERATING REVENUE (EXPENSES):				
Interest income	5,000	5,000	52,995	47,995
Interest expense	(168,900)	(21,600)	(18,477)	3,123
Total nonoperating revenue (expense)	(163,900)	(16,600)	34,518	51,118
Income before transfers	253,600	629,100	1,090,317	461,217
Transfers out	481,600	(856,800)	(481,600)	375,200
Net change in net assets	735,200	(227,700)	608,717	836,417
Net Assets - beginning of year	(735,200)	227,700	1,101,947	874,247
Net Assets - end of year	\$ -	\$ -	\$ 1,710,664	\$ 1,710,664

City of Casa Grande
Golf Course Enterprise Fund
Schedule of Operations - Budget and Actual
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
OPERATING REVENUES:				
Rental	\$ 152,400	\$ 152,400	\$ 197,970	\$ 45,570
Green fees	505,000	505,000	583,494	78,494
Total operating revenues	657,400	657,400	814,944	157,544
OPERATING EXPENSES:				
Personal services	573,200	525,200	509,631	15,569
Contractual	56,100	36,900	35,465	1,435
Materials and supplies	344,200	342,900	342,055	845
Depreciation	-	41,300	41,170	130
Total operating expenses	973,500	946,300	928,321	17,979
Operating Income	(316,100)	(288,900)	(113,377)	175,523
NONOPERATING REVENUE:				
City sales tax	8,500	8,500	15,788	7,288
Total nonoperating revenue	8,500	8,500	15,788	7,288
Income (loss) before transfers	(307,600)	(280,400)	(97,589)	182,811
Transfers in	400,600	400,600	400,600	-
Transfers out	(93,000)	(120,200)	(93,000)	27,200
Net change in net assets	-	-	210,011	210,011
Net assets - beginning of year	-	-	271,571	271,571
Net assets - end of year	\$ -	\$ -	\$ 481,582	\$ 481,582

City of Casa Grande
Capital Assets Used in the Operation of Governmental Funds
Schedule By Source
June 30, 2006

Governmental funds capital assets:	
Land and construction in progress	\$ 6,559,450
Buildings	13,661,329
Improvements other than buildings	78,225,023
Heavy machinery and equipment	1,407,992
Operational equipment	<u>10,986,306</u>
Total governmental funds capital assets	<u><u>\$ 110,840,100</u></u>

Investments in governmental funds capital assets by source:	
General obligation bonds	\$ 459,863
Grants	1,529,993
General Fund revenues	11,526,011
Special Revenue Fund revenues	27,063,854
Capital Project Funds	12,578,697
Gifts and donations	<u>57,681,682</u>
Total investments in governmental funds capital assets	<u><u>\$ 110,840,100</u></u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

City of Casa Grande
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
June 30, 2006

<u>Function and Activity</u>	<u>Land and Buildings</u>	<u>Improvements Other Than Buildings</u>	<u>Machinery and Equipment</u>	<u>Total</u>
General government	\$ 1,650,154	\$ 145,632	\$ 266,360	\$ 2,062,146
Public safety	1,913,255	703,921	5,239,668	7,856,844
Streets/Transportation	3,048,499	64,412,075	4,453,201	71,913,775
Public works	959,626	402,767	265,923	1,628,316
Culture and recreation	3,470,290	6,314,148	2,311,750	12,096,188
Economic development	<u>8,642,298</u>	<u>6,299,824</u>	<u>340,709</u>	<u>15,282,831</u>
Total	<u><u>\$ 19,684,122</u></u>	<u><u>\$ 78,278,367</u></u>	<u><u>\$ 12,877,611</u></u>	<u><u>\$ 110,840,100</u></u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

City of Casa Grande
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
For the Year Ended June 30, 2006

<u>Function and Activity</u>	<u>General Capital Assets June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>General Capital Assets June 30, 2006</u>
General government	\$ 2,076,550	\$ -	\$ (14,404)	\$ 2,062,146
Public safety	7,086,654	974,261	(204,071)	7,856,844
Streets/Transportation	27,154,343	44,834,432	(75,000)	71,913,775
Public works	1,570,003	58,313	-	1,628,316
Culture and recreation	11,967,140	189,234	(60,186)	12,096,188
Economic development	11,963,539	3,319,292	-	15,282,831
Total	<u>\$ 61,818,229</u>	<u>\$ 49,375,532</u>	<u>\$ (353,661)</u>	<u>\$ 110,840,100</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

City of Casa Grande
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

	Grant Number	Federal CFDA Number	Expenditures
U.S. Department of Housing and Urban Development:			
Passed through Arizona Department of Commerce:			
Community Development Block Grant - 2005	128-05	14.228	\$ 146,612
Community Development Block Grant - 2005	104-05	14.228	205,859
Community Development Block Grant - 2006	164-06	14.228	101,758
Community Development Block Grant - 2006	142-06	14.228	53,907
HOME - 2004	304-04	14.239	1,765
HOME - 2005	307-05	14.239	236,449
HOME - 2003	302-06	14.239	100,787
Rural Housing and Economic Development	564-04	14.250	261,127 *
Rural Housing and Economic Development	567-05	14.250	210,147 *
Total Department of Housing and Urban Development			<u>1,318,411</u>
U.S. Department of Agriculture:			
Self Help Housing Technical Assistance Grant	10	10.420	297,646
Rural Development Housing Preservation Grant	10-433	10.433	41,753
Passed through Arizona Department of Health Services:			
State Administrative Matching Grants for Food Stamp Program	461200	10.561	3,246
Total Department of Agriculture			<u>342,645</u>
U.S. Department of Health & Human Services			
Passed through Pinal-Gila Council for Senior Citizens:			
Special Programs for the Aging	5-237	93.044	15,750
Special Programs for the Aging	5-237	93.045	54,755
Social Services Block Grant	5-237	93.667	14,889
Nutritional Services Incentive Program	5-237	93.053	20,223
Total Department of Health & Human Services			<u>105,617</u>
U.S. Department of Justice:			
JAG Grant	2005-DJBX0880	16.592	22,697
Bulletproof Vest Grant	2005-BUBX05028897	16.607	10,735
Local Law Enforcement Block Grant	04-LB-BX-0493	16.592	8,159
Total Department of Justice			<u>41,591</u>
U.S. Department of Transportation:			
FAA Airport Grant	3-04-0007-06	20.106	39,993 *
FAA Airport Grant	3-04-0007-08	20.106	18,132 *
FAA Airport Grant	3-04-0007-09-2005	20.106	170,111 *
FAA Airport Grant	3-04-0007-10-2006	20.106	6,315 *
Total Department of Transportation			<u>234,551</u>
U.S. Department of Homeland Security			
Federal Emergency Management Agency	EMW-2003-FP-00726	97.044	199
Federal Emergency Management Agency	EMW-2004-FG-03343	97.044	73,702
Passed through Pinal County Department of Public Works:			
Domestic Preparedness	2005-GE-T5-0030	97.004	45,511
Total Department of Homeland Security			<u>119,412</u>
Total Federal Financial Assistance and Expenditures of Federal Awards			<u><u>\$ 2,162,227</u></u>

*Denotes major program





STATISTICAL SECTION

Statistical Section

This part of the City of Casa Grande's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	101
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City's ability to generate its sales and property taxes.	108
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	110
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	116
Operating Information These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	118

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

Schedule 1
City of Casa Grande
Net Assets by Component
Last Four Fiscal Years
(accrual basis of accounting)

	June 30			
	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt	\$ 21,646,269	\$ 24,413,490	\$ 28,136,615	\$ 74,265,031
Restricted	7,492,999	13,846,429	25,705,254	39,505,454
Unrestricted	3,935,234	5,857,139	10,880,929	17,574,060
Total governmental activities net assets	<u>\$ 33,074,502</u>	<u>\$ 44,117,058</u>	<u>\$ 64,722,798</u>	<u>\$ 131,344,545</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 15,329,786	\$ 9,650,425	\$ 19,179,454	\$ 27,728,464
Restricted	1,983,310	11,289,359	7,202,857	11,541,534
Unrestricted	97,231	1,030,876	4,985,723	8,492,036
Total business-type activities net assets	<u>\$ 17,410,327</u>	<u>\$ 21,970,660</u>	<u>\$ 31,368,034</u>	<u>\$ 47,762,034</u>
Primary government				
Invested in capital assets, net of related debt	\$ 36,976,055	\$ 34,063,915	\$ 47,316,069	\$ 101,993,495
Restricted	9,476,309	25,135,788	32,908,111	51,046,988
Unrestricted	4,032,465	6,888,015	15,866,652	26,066,096
Total primary government net assets	<u>\$ 50,484,829</u>	<u>\$ 66,087,718</u>	<u>\$ 96,090,832</u>	<u>\$ 179,106,579</u>

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

Schedule 2
City of Casa Grande
Changes in Net Assets
Last Four Fiscal Years
(accrual basis of accounting)

	June 30			
	2003	2004	2005	2006
Governmental Activities:				
Expenses				
General government	\$ 3,627,359	\$ 4,117,835	\$ 4,100,221	\$ 4,463,957
Public safety	9,888,543	10,732,674	11,789,718	13,504,033
Streets/Transportation	2,702,484	2,942,777	3,437,830	5,486,251
Public works	697,449	765,497	778,974	1,868,890
Culture and recreation	3,778,926	4,078,279	4,147,490	4,978,247
Economic development	2,289,429	2,422,140	2,716,784	4,468,076
Interest on long-term debt	540,921	499,031	477,956	500,879
Total expenses	<u>23,525,111</u>	<u>25,558,233</u>	<u>27,448,973</u>	<u>35,270,333</u>
Program Revenues				
Charges for services:				
General government	102,276	113,317	109,340	119,514
Public safety	823,583	810,216	904,202	984,555
Streets/Transportation	142,848	424,308	505,948	832,940
Public works	28,440	11,632	2,273,085	84,424
Culture and recreation	303,358	288,714	285,592	340,272
Development fees	1,511,684	2,139,152	4,667,542	11,353,338
Building permits	959,975	1,263,355	2,017,707	3,468,682
Development and engineering	583,532	430,876	1,876,291	3,357,825
Other economic development	213,613	572,326	795,721	1,282,294
Operating grants and contributions	4,584,394	4,993,835	5,834,031	7,866,501
Capital grants and contributions	4,312,801	4,199,412	6,372,598	43,675,183
Total program revenues	<u>13,566,504</u>	<u>15,247,143</u>	<u>25,642,057</u>	<u>73,365,528</u>
Total Governmental Activities Net Program Expense	<u>\$ (9,958,607)</u>	<u>\$ (10,311,090)</u>	<u>\$ (1,806,916)</u>	<u>\$ 38,095,195</u>
General Revenues and Other Changes in Net Assets				
Property taxes	1,536,606	1,799,803	2,333,638	2,401,386
Sales taxes	9,477,906	10,573,489	12,094,301	14,973,622
Franchise taxes	850,839	899,604	954,853	1,236,366
Shared revenues:				
State sales taxes	1,972,714	2,122,100	2,336,759	2,721,554
Urban revenue sharing	2,650,450	2,278,117	2,345,507	2,728,207
Auto-in-lieu	999,433	1,189,494	1,221,188	1,585,116
Investment earnings	(163,059)	124,545	466,925	1,508,717
Gain on sales of assets	221,721	(77,414)	414,900	660,798
Miscellaneous	200,444	277,201	145,585	361,586
Transfers	(26,617)	1,341,083	99,000	349,200
Total general revenues and other changes in net assets	<u>17,720,437</u>	<u>20,528,022</u>	<u>22,412,656</u>	<u>28,526,552</u>
Total Governmental Activities Change in Net Assets	<u>\$ 7,761,830</u>	<u>\$ 10,216,932</u>	<u>\$ 20,605,740</u>	<u>\$ 66,621,747</u>

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

Schedule 3
City of Casa Grande
Changes in Net Assets
Last Four Fiscal Years
(accrual basis of accounting)

	June 30			
	2003	2004	2005	2006
Business-type Activities:				
Expenses				
Water	\$ 197,109	\$ 142,327	\$ 158,397	\$ 98,048
Golf course	698,909	716,703	844,434	928,321
Wastewater	2,465,665	2,981,091	2,487,685	3,138,128
Sanitation	2,638,820	2,797,052	3,148,693	3,538,650
Total expenses	<u>6,000,503</u>	<u>6,637,173</u>	<u>6,639,209</u>	<u>7,703,147</u>
Revenues				
Charges for services:				
Water	194,782	193,006	186,225	197,834
Golf course	420,799	433,686	584,429	781,464
Wastewater	2,767,417	3,703,613	7,618,055	7,533,801
Sanitation	2,687,498	3,056,414	3,804,163	4,571,127
Sales taxes	1,681,957	1,885,485	2,150,452	2,676,631
Investment earnings	(77,534)	88,214	183,584	635,533
Miscellaneous	7,157	1,895,607	47,086	58,502
Capital grants and contributions	1,099,166	1,136,713	1,561,589	7,991,457
Total revenues	<u>8,781,242</u>	<u>12,392,738</u>	<u>16,135,583</u>	<u>24,446,349</u>
Total Business-type Activities Net Program Expense	<u>\$ 2,780,739</u>	<u>\$ 5,755,565</u>	<u>\$ 9,496,374</u>	<u>\$ 16,743,202</u>
Other Changes in Net Assets				
Transfers	26,617	(1,341,083)	(99,000)	(349,200)
Total Business-type Activities Change in Net Assets	<u>\$ 2,807,356</u>	<u>\$ 4,414,482</u>	<u>\$ 9,397,374</u>	<u>\$ 16,394,002</u>
Total Primary Government Change in Net Assets	<u>\$ 10,569,186</u>	<u>\$ 14,631,414</u>	<u>\$ 30,003,114</u>	<u>\$ 83,015,749</u>

Schedule 4
City of Casa Grande
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	1997	1998	1999	2000
General Fund				
Reserved	\$ 112,837	\$ 74,769	\$ 110,897	\$ 139,262
Unreserved	2,798,300	2,451,559	3,964,937	4,915,566
Total general fund	<u>\$ 2,911,137</u>	<u>\$ 2,526,328</u>	<u>\$ 4,075,834</u>	<u>\$ 5,054,828</u>
All Other Governmental Funds				
Reserved	\$ 1,528,318	\$ 1,560,637	\$ 6,795,532	\$ 4,096,314
Unreserved, reported in:				
Special revenue funds	1,985,141	4,817,397	2,624,407	3,181,985
Capital projects funds	1,486,226	218,851	44,043	539,713
Total all other governmental funds	<u>\$ 4,999,685</u>	<u>\$ 6,596,885</u>	<u>\$ 9,463,982</u>	<u>\$ 7,818,012</u>

Fiscal Year					
2001	2002	2003	2004	2005	2006
\$ 143,871	\$ 176,526	\$ 486,826	\$ 801,965	\$ 1,115,310	\$ 1,476,273
4,422,980	3,338,675	3,823,320	6,343,317	11,150,642	17,796,454
<u>\$ 4,566,851</u>	<u>\$ 3,515,201</u>	<u>\$ 4,310,146</u>	<u>\$ 7,145,282</u>	<u>\$ 12,265,952</u>	<u>\$ 19,272,727</u>
\$ 2,186,274	\$ 2,311,916	\$ 2,341,307	\$ 2,368,606	\$ 6,252,078	\$ 4,250,108
2,761,029	3,758,330	4,328,235	9,013,364	15,594,386	28,612,756
1,406,775	1,214,043	372,078	1,066,167	2,479,265	5,365,147
<u>\$ 6,354,078</u>	<u>\$ 7,284,289</u>	<u>\$ 7,041,620</u>	<u>\$ 12,448,137</u>	<u>\$ 24,325,729</u>	<u>\$ 38,228,011</u>

Schedule 5
City of Casa Grande
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	1997	1998	1999	2000	2001
Revenues					
Taxes	\$ 8,009,255	\$ 7,368,958	\$ 8,207,129	\$ 9,647,104	\$ 10,500,552
Licenses and permits	432,342	389,569	698,453	644,487	895,927
Intergovernmental revenues	7,201,890	7,719,748	8,947,070	9,361,703	11,303,184
Charges for services	528,774	432,094	877,478	760,096	974,559
Fines	524,263	667,303	827,765	772,079	628,857
Special assessments	523,626	433,972	242,998	588,862	309,163
Investment earnings	338,560	405,490	376,637	649,120	565,660
Rental and sale of city property	110,529	155,228	104,288	288,542	418,879
Other revenues	289,966	242,448	384,429	216,622	352,902
Total revenues	<u>17,959,205</u>	<u>17,814,810</u>	<u>20,666,247</u>	<u>22,928,615</u>	<u>25,949,683</u>
Expenditures					
General government	2,510,411	2,615,082	2,750,694	2,753,142	3,348,830
Public safety	6,160,033	6,451,991	6,831,027	7,502,776	8,237,440
Streets/Transportation	1,270,656	1,478,014	1,221,041	1,446,023	1,956,566
Public works	354,158	472,821	460,161	797,824	766,460
Culture and recreation	2,085,005	2,220,546	2,279,233	2,669,541	3,076,334
Planning and economic development	1,147,130	1,477,070	1,788,326	1,352,047	2,859,626
Capital outlay	3,055,380	3,900,673	4,929,355	7,716,638	6,307,819
Debt service					
Principal	1,364,549	1,350,340	1,058,750	1,003,291	979,300
Interest	357,260	271,536	396,383	571,129	465,622
Total expenditures	<u>18,304,582</u>	<u>20,238,073</u>	<u>21,714,970</u>	<u>25,812,411</u>	<u>27,997,997</u>
Other Financing Sources (Uses)					
Transfers in	2,179,119	2,691,306	844,605	1,874,832	2,391,189
Transfers out	(2,150,894)	(2,647,806)	(701,105)	(1,659,139)	(2,649,899)
Capital leases	-	-	321,826	2,001,127	369,137
Bond issuance	-	3,592,154	5,000,000	-	-
Bond issuance costs	-	-	-	-	-
Total other financing sources (uses)	<u>28,225</u>	<u>3,635,654</u>	<u>5,465,326</u>	<u>2,216,820</u>	<u>110,427</u>
Net change in fund balances	<u>\$ (317,152)</u>	<u>\$ 1,212,391</u>	<u>\$ 4,416,603</u>	<u>\$ (666,976)</u>	<u>\$ (1,937,887)</u>
Debt service as a percentage of noncapital expenditures	Not Available*				

*Prior to implementation of GASB 34 in 2003, the Capital outlay number from the CAFR may not include all capital asset purchases.

Fiscal Year				
2002	2003	2004	2005	2006
\$ 10,565,836	\$ 11,851,114	\$ 13,294,993	\$ 15,388,557	\$ 18,585,602
801,910	1,074,991	1,385,080	2,156,170	3,632,214
10,763,681	10,358,329	10,902,234	11,911,931	15,208,404
1,578,990	2,528,275	3,221,772	9,853,065	16,390,930
801,690	690,177	677,048	739,283	734,495
244,872	211,787	137,644	217,895	354,840
233,207	(163,059)	124,545	466,925	1,508,717
405,717	536,538	738,198	701,633	1,071,511
231,348	274,985	473,864	720,093	1,198,605
<u>25,627,251</u>	<u>27,363,137</u>	<u>30,955,378</u>	<u>42,155,552</u>	<u>58,685,318</u>
3,689,262	3,641,912	4,451,216	4,300,175	5,230,006
9,639,754	9,499,759	10,309,036	11,344,629	12,957,767
1,798,580	1,987,200	1,672,165	1,908,050	2,168,597
777,291	657,785	730,486	734,391	1,650,860
3,349,200	3,352,211	3,450,403	3,654,964	4,446,967
2,238,132	1,871,266	1,952,308	2,242,438	3,914,867
2,593,601	4,472,441	1,939,318	4,526,914	6,149,634
956,448	932,344	960,801	799,546	1,206,388
620,054	559,527	471,539	477,428	484,775
<u>25,662,322</u>	<u>26,974,445</u>	<u>25,937,272</u>	<u>29,988,535</u>	<u>38,209,861</u>
1,010,817	1,618,327	2,919,819	2,686,632	5,808,434
(1,097,185)	(1,644,944)	(1,578,736)	(2,530,831)	(5,374,834)
-	150,000	1,056,839	3,500,000	-
-	-	-	1,335,000	-
-	-	-	(159,557)	-
<u>(86,368)</u>	<u>123,383</u>	<u>2,397,922</u>	<u>4,831,244</u>	<u>433,600</u>
<u>\$ (121,439)</u>	<u>\$ 512,075</u>	<u>\$ 7,416,028</u>	<u>\$ 16,998,260</u>	<u>\$ 20,909,057</u>
Not Available*	6.63%	5.97%	5.02%	5.27%

Schedule 6
City of Casa Grande
Sales Tax Revenue by Industry,
Fiscal Years 2006, 2005 and 2004

	Fiscal Year 2004		Fiscal Year 2005		Fiscal Year 2006	
	Tax Paid	Percentage of Total	Tax Paid	Percentage of Total	Tax Paid	Percentage of Total
Construction	\$ 2,267,707	18.20%	\$ 2,187,722	15.36%	\$ 3,164,234	17.93%
Manufacture	355,169	2.85%	497,382	3.49%	599,880	3.40%
Transportation/Communication/ Utilities	878,190	7.05%	1,220,019	8.56%	1,470,192	8.33%
Wholesale Trade	194,389	1.56%	195,610	1.37%	211,865	1.20%
Retail Trade	6,190,793	49.69%	7,027,208	49.33%	8,377,108	47.46%
Restaurants/Bars	703,915	5.65%	923,817	6.49%	1,021,869	5.79%
Insurance/Real Estate	830,953	6.67%	1,485,089	10.43%	1,732,572	9.82%
Hotels/Lodging	266,437	2.14%	275,550	1.93%	316,538	1.79%
Services	464,107	3.73%	373,228	2.62%	427,755	2.42%
All Other	307,314	2.47%	59,128	0.42%	328,240	1.86%
Total	\$ 12,458,974	100.00%	\$ 14,244,753	100.00%	\$ 17,650,253	100.00%

Source: Arizona State Department of Revenue

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the City's revenue. Information prior to 2004 is not available.

**Schedule 7
City of Casa Grande
Direct and Overlapping Sales Tax Rates
June 30, 2006**

Type of Tax	Rates		
	City	State and Pinal County (3)	Combined
Privilege tax, except retail, utilities and telecommunication	1.80%	6.60%	8.40%
Retail	2.00%	6.60%	8.60%
Retail - privilege tax for single item over \$5000	1.50%	6.60%	8.10%
Hotel/Motel	3.80%	6.60%	10.40%
Restaurant/Bar	1.80%	6.60%	8.40%
Utilities/Telecommunications	2.00%	6.60%	8.60%
Construction *	4.00%	6.60%	10.60%

Sources: City of Casa Grande Finance Department and Arizona Department of Revenue

*Changed from 1.8% effective 6/15/2006

Schedule 8
City of Casa Grande
Ratios of Outstanding Debt by Type,
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					
	General Obligation Bonds	Street & Hwy User Revenue Bonds	Excise Tax Revenue Obligations	Special Assessment Bonds	Capital Leases	Mortgages
1997	\$ 260,000	\$ 1,150,000	\$ 1,975,000	\$ 880,000	\$ 653,573	\$ -
1998	-	785,000	5,480,000	595,000	391,382	-
1999	-	410,000	10,280,000	280,000	463,944	-
2000	-	-	9,870,000	1,170,000	1,042,071	265,000
2001	-	-	9,435,000	955,000	1,130,019	119,472
2002	-	-	8,980,000	870,000	761,093	-
2003	-	-	8,495,000	780,000	566,744	-
2004	-	-	8,138,000	685,000	1,236,062	-
2005	1,335,000	-	7,688,583	585,000	4,485,933	-
2006	1,335,000	-	7,217,943	480,000	4,029,980	-

Notes: Details regarding the City's outstanding debt can be found in the financial statements.

(a) See Schedule 13 for personal income and population data
 Personal income is based on Pinal County information.

Business-type Activities

<u>Excise Tax Revenue Obligations</u>	<u>Capital Leases</u>	<u>Notes Payable</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income (a)</u>	<u>Per Capita (a)</u>
\$ 10,325,000	\$ 635,351	\$ -	\$ 15,878,924	4.60%	723.58
9,835,000	672,214	-	17,758,596	4.94%	794.92
9,320,000	605,180	-	21,359,124	5.56%	921.65
8,785,000	638,216	-	21,770,287	4.84%	821.83
8,220,000	1,162,818	-	21,022,309	4.33%	755.79
7,625,000	787,125	203,193	19,226,411	3.94%	704.52
7,005,000	459,286	178,170	17,484,200	3.21%	588.40
15,926,820	404,534	178,170	26,568,586	4.32%	848.43
15,426,237	593,795	177,300	30,291,848	4.22%	884.18
14,911,877	408,291	168,069	28,551,160	3.59%	783.30

Schedule 9
City of Casa Grande
Ratio of General Bonded Debt Outstanding
Last Two Fiscal Years

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Assessed Valuation (a)</u>	<u>Percentage of Assessed Valuation</u>
2005	\$ 1,335,000	\$ 582,812	229.06%
2006	1,335,000	1,063,834	125.49%

(a) Source: Pinal County Assessor's records

Note: The only current general obligation bond was issued by the Mission Royale Community Facilities District in fiscal year 2005. These bonds will be repaid by the property owners within Mission Royale CFD and are obligations of the district only. No population data are available.

Schedule 10
City of Casa Grande
Direct and Overlapping Governmental Activities Debt
As of June 30, 2006

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Pinal County	\$ 165,865,000	14.75%	\$ 24,465,088
School District #4	22,760,000	62.82%	14,297,832
School District #82	10,523,061	48.72%	5,126,835
Central Arizona Community College	20,055,000	14.10%	2,827,755
Mission Royale CFD	1,335,000	100.00%	<u>1,335,000</u>
Subtotal, overlapping debt			48,052,510
City direct debt			<u>11,727,923</u>
Total direct and overlapping debt			<u><u>\$ 59,780,433</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by Pinal County Assessor's Office. Debt outstanding data provided by each governmental unit.

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Casa Grande. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of Pinal County's taxable assessed value that is within the government's boundaries and dividing it by the County's total taxable assessed value.

**Schedule 11
City of Casa Grande
Legal Debt Margin Information
June 30, 2006**

	<u>General Obligation 6%</u>	<u>Utility Purpose and Open Space 20%</u>
Assessed value \$ 180,092,436	\$ 10,805,546	\$ 36,018,487
General obligation debt	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 10,805,546</u>	<u>\$ 36,018,487</u>

Note: No retroactive reporting of the legal debt margin is provided because the City has had no general obligation debt since 1997.

Schedule 12
City of Casa Grande
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Special Assessment Bonds				Excise Tax Revenue Obligations			
	Special Assessment Collections	Debt Service		Coverage	Pledged Revenue Collected (a)	Debt Service		Coverage
		Principal	Interest			Principal	Interest	
1997	\$ 410,579	\$ 332,741	\$ 88,852	0.97	\$ 16,215,809	Not Available	Not Available	
1998	465,175	372,500	65,725	1.06	15,496,416	Not Available	Not Available	
1999	447,993	232,500	37,553	1.66	18,037,441	715,000	865,073	11.42
2000	204,394	142,500	25,320	1.22	19,967,133	945,000	1,058,859	9.96
2001	308,629	215,000	37,785	1.22	23,176,964	1,000,000	1,010,013	11.53
2002	290,054	85,000	51,570	2.12	22,402,363	1,050,000	957,807	11.16
2003	174,365	90,000	56,147	1.19	23,444,022	1,105,000	901,980	11.68
2004	137,642	95,000	42,120	1.00	25,645,893	1,165,000	594,321	14.58
2005	217,895	100,000	36,990	1.59	29,267,707	950,001	1,054,202	14.60
2006	354,840	105,000	31,590	2.60	37,727,237	985,000	1,022,252	18.80

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(a) The 1997, 1999 and 2003 revenue obligations are secured by a pledge of and first lien on all excise, transaction, franchise, privilege and business taxes, state shared sales and income taxes, fees for licenses and permits and state revenue sharing which the City presently or in the future validly imposes or receives from other entities.



Schedule 13
City of Casa Grande
Demographic and Economic Statistics,
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>County Per Capita Personal Income</u>	<u>Total Personal Income</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
1997	21,945	\$ 15,725	\$ 345,085,125	6,952	4.40%
1998	22,340	16,099	359,651,660	7,079	3.80%
1999	23,175	16,563	383,847,525	7,241	4.00%
2000	26,490	16,994	450,171,060	7,442	3.90%
2001	27,815	17,436	484,982,340	7,680	4.20%
2002	27,290	17,889	488,190,810	7,784	6.80%
2003	29,715	18,354	545,389,110	7,895	6.20%
2004	31,315	19,646	615,214,490	8,120	5.00%
2005	34,260	20,959	718,055,340	8,930	5.20%
2006	36,450	21,800	794,610,000	9,049	5.10%

Sources: Population, County Per Capita Income and City Unemployment Rate - Arizona Department of Commerce and Arizona Department of Economic Security. School Enrollment - Casa Grande Elementary and Casa Grande Union High School Districts.

**Schedule 14
City of Casa Grande
Principal Employers,
Current Year and Six Years Ago**

<u>Employer</u>	<u>2006 (a)</u>		<u>2000 (b)</u>	
	<u>Employees</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Casa Grande Regional Medical Center	920	5.52%	788	5.70%
Casa Grande Elementary School District	761	4.56%	625	4.52%
Wal-Mart Distribution Center	569	3.41%	-	0.00%
Wal-Mart Supermarket	520	3.12%	-	0.00%
Frito-Lay Inc.	450	2.70%	302	2.19%
Abbott Laboratories/Ross Products	425	2.55%	397	2.87%
Hexcel Corporation	365	2.19%	562	4.07%
City of Casa Grande	340	2.04%	251	1.82%
Mobile-Mini	300	1.80%	-	0.00%
Palm Harbor Homes	200	1.20%	200	1.45%
	<u>4,850</u>	<u>29.09%</u>	<u>3,125</u>	<u>22.62%</u>

Sources: (a) Casa Grande Valley Economic Development Foundation; various employers; AZ Dept of Economic Security (b) Casa Grande Valley Economic Development Foundation, July 2000; AZ Dept of Economic Security

Note: July, 2000 is the earliest year for which both employer and labor force information are available.

Schedule 15
City of Casa Grande
Authorized City Government Employee Positions by Function/Program
Last Ten Fiscal Years

Fiscal Year	Function/Program						Total
	General Government	Police, City Attorney and Court	Fire	Culture and Recreation	Planning and Development	Public Works	
1997	17.5	77.5	24	35.5	13.95	60.17	228.62
1998	17.5	85.5	24	37	14.75	60.5	239.25
1999	17.5	86.5	25	37	15.75	62	243.75
2000	22	88.5	27	39	15.75	61	253.25
2001	24.5	91.5	27	43	16	66	268.00
2002	26	93.5	30	43	17	76	285.50
2003	22.75	98.5	33	44	17	80	295.25
2004	23	97.5	37	44	17	80	298.50
2005	24	103.5	38	44	19	79	307.50
2006	26	107.5	41	44	22	84.25	324.75

Source: City Budget

Note: Information is based on authorized positions.

Schedule 16
City of Casa Grande
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year				
	1997	1998	1999	2000	2001
General government					
Registered voters	9,973	9,973	9,987	11,441	11,441
Votes cast last primary election	1,741	1,741	1,307	2,367	2,367
Fire					
Medical support calls	1,816	1,798	1,873	2,087	2,426
Total alarms	2,545	2,540	2,790	3,128	3,281
Inspections/investigations	245	479	340	276	415
Public education contacts	10,133	10,643	6,661	7,501	8,582
Police					
Calls for service	30,529	28,596	26,788	26,019	27,602
Officer initiated	101,751	104,357	98,206	59,332	63,362
Patrolled miles	605,229	676,328	657,807	649,745	654,370
Traffic accidents	1,094	1,107	791	817	853
Traffic citations	6,035	8,840	9,216	9,163	10,561
Arrests (adult and juvenile)	4,030	3,736	4,228	4,785	4,338
Culture and recreation - library (a)					
Items in collections	100,897	100,000	95,610	94,523	99,414
Reference questions	37,644	37,482	18,229	17,199	18,912
Total items circulated	388,371	192,101	380,942	332,691	422,063
Total circulation transactions	710,634	228,876	799,622	391,308	733,582
Economic development					
Building permits - commercial	255	289	274	271	279
Building permits - residential	489	569	892	1,003	1,446
Self-help homes completed	20	22	20	8	16
Self-help homes started	11	18	8	16	24
Housing rehabilitations	34	46	12	13	17
Code enforcement cases	361	407	303	670	617
Planning cases	74	72	98	155	78

Sources: Various City departments

Note: (a) In 2004 the library implemented a new system that tracks information more accurately.

Fiscal Year				
2002	2003	2004	2005	2006
11,441	13,685	13,685	15,919	13,239
2,367	1,242	1,242	1,428	1,428
2,578	2,774	3,085	3,427	3,766
3,447	3,697	4,136	4,557	5,137
222	305	524	487	390
10,018	11,386	7,344	11,764	8,884
29,705	33,076	37,674	38,869	39,365
71,814	68,677	69,588	69,412	69,936
700,884	671,030	716,138	702,062	706,375
796	886	928	1,046	1,213
9,495	8,408	8,607	7,068	6,127
4,673	4,773	4,387	4,614	4,055
100,619	100,655	90,826	86,364	73,984
22,647	18,940	5,776	6,415	14,959
374,840	149,210	52,240	51,915	49,718
734,852	825,000	172,391	170,875	187,063
256	262	262	273	339
1,333	1,639	1,983	2,565	3,501
24	23	22	6	20
23	15	13	26	27
13	16	12	9	12
675	724	660	1,059	1,704
61	114	161	154	334

Schedule 17
City of Casa Grande
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year			
	1997	1998	1999	2000
Fire stations	2	2	2	2
Parks and recreation				
Park areas	23	25	25	25
Parkland acreage	2,143	2,152	2,152	2,152
Community centers	2	2	2	2
Golf courses	1	1	1	1
Playgrounds	19	19	19	19
Other maintenance areas	38	38	38	38
Airport				
T-hangers	22	22	22	22
T-shades	18	18	18	18
Public works				
Total number of streetlights	1,257	1,283	1,315	1,336
Miles of streets	226	228	237	243
Miles of sewer	152	153	104	105
Number of lift stations	7	7	7	10
Number of signalized intersections	18	18	18	25

Sources: Various City departments

Fiscal Year					
2001	2002	2003	2004	2005	2006
3	3	3	3	3	3
25	24	23	24	24	24
2,152	1,787	1,783	1,790	1,370	1,370
3	4	4	4	4	4
1	1	1	1	1	1
19	19	20	22	22	24
71	85	85	85	85	87
22	22	52	52	52	52
18	18	18	18	18	18
1,525	1,638	1,638	1,893	2,011	2,217
243	307	307	321	354	375
108	121	121	145	160	300
10	10	10	10	10	9
26	26	27	27	27	31





SINGLE AUDIT REPORTS



HENRY & HORNE, LLP
Advisors to Business

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

The Honorable Mayor and Council
City of Casa Grande, Arizona

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Casa Grande (the "City"), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Casa Grande's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described below:

The limited number of personnel prevents a proper segregation of accounting functions necessary to assure adequate internal controls. This is not unusual in entities of this size. Management should be constantly aware of this condition and realize that concentrations of duties in a limited number of personnel could create control situations which would allow personnel to misappropriate assets.

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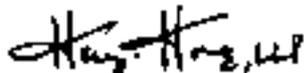
The Honorable Mayor and Council
City of Casa Grande, Arizona

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the city council, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



September 15, 2006



HENRY & HORNE, LLP
ADVISORS TO BUSINESS

INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable Mayor and Council
City of Casa Grande, Arizona

Compliance

We have audited the compliance of the City of Casa Grande (the City), Arizona with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Casa Grande, Arizona, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

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The Honorable Mayor and Council
City of Casa Grande, Arizona

Internal Control Over Compliance

The management of the City of Casa Grande, Arizona is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the city council management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



September 15, 2006



HENRY & HORNE, LLP
ADVISORS TO BUSINESS

CITY OF CASA GRANDE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2006

Summary of Auditors' Results

We have audited the financial statements of the City of Casa Grande (the City), Arizona, as of and for the year ended June 30, 2006, and have issued an unqualified opinion thereon dated September 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Our audit did not disclose any noncompliance which is considered material to the financial statements of the City, nor did our audit disclose any material weaknesses in internal controls.

We have also issued an unqualified opinion dated September 15, 2006, based on our consideration of the City's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133* that are applicable to its major Federal program for the year ended June 30, 2006. The results of our auditing procedures disclosed no findings relating to these requirements that are required to be reported in accordance with *OMB Circular A-133*.

For the June 30, 2006, Single Audit, the threshold used to distinguish between Type A and Type B programs was \$300,000. The City's U.S. Department of Housing and Urban Development Community Development Rural Housing and Economic Development grants and The City's U.S. Department of Transportation FAA Airport grants were audited as major programs. The City of Casa Grande qualified as a low risk auditee.

There were no prior year findings.

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